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THE
ECONOMIC JOURNAL
VOLUME XVII



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TORONTO

THE
ECONOMIC JOURNAL

THE JOURNAL OF
The Royal Economic Society

EDITED BY
F. Y. EDGEWORTH

VOLUME XVII

London
MACMILLAN AND CO., LIMITED
NEW YORK: THE MACMILLAN COMPANY

1907

RICHARD CLAY AND SONS, LIMITED,
BREAD STREET HILL, E.C.4, AND
BUNGAY, SUFFOLK.

INDEX TO THE ECONOMIC JOURNAL

VOLUME XVII

ORIGINAL ARTICLES :—

	PAGE
Asuley, Prof. W. J., The Present Position of Political Economy	467
Bastable, Prof. C. F., The Budget of 1907 Considered with Special Reference to the Income Tax	165
Beveridge, W. H., Labour Exchanges and the Unemployed	66
Cannan, Edwin, The Proposed Relief of Buildings from Local Rates	36
Chapman, Prof. S. J., and J. McFarlane, Cotton Supplies	57
Cohn, Prof. Gustav, Government and Laissez Faire	180
Government and Public Finance	513
Cooke, E. Cozens, The Sugar Convention and the West Indies	315
Darwin, Leonard, The Taxation of Site Values with Reference to the Distribution of Population	330
Edgeworth, Prof. F. Y., Appreciations of Mathematical Theories. I.	221
Appreciations of Mathematical Theories. II.	524
Gide, Prof. Charles, Economic Literature in France at the Beginning of the Twentieth Century	192
The Wine Crisis in South France	370
Haldane, the Rt. Hon. R. B., M.P., Inaugural Address to the Congress	2
Halle, Prof. E. von, The Rise and Tendencies of German Enterprise	490
India's Present Monetary Condition	47
Jebb, Miss L., The English Aspect of the Small Holding Question	171
Lees Smith, Prof. H. B., Economic Theory and Proposals for a Legal Mini- mum Wage	504
Leppington, C. H. d'E., The Evolution of an Industrial Town	346
Marshall, Prof. Alfred, The Social Possibilities of Economic Chivalry	7
Pigou, A. C., Social Improvement in the Light of Modern Biology	358
The Congress of the Royal Economic Society (Note by the Editor)	1
Trevelyan, Charles, M.P., Land Value Taxation and the Use of Land	60
Wicksell, Prof. Knut, The Influence of the Rate of Interest on Prices	213

REVIEWS :—

Augé-Laribé. <i>Le problème agraire du Socialisme—La Viticulture Industrielle du Midi de la France.</i> , By Prof. Charles Gide	564
Avesbury, the Rt. Hon. Lord, P.C., <i>On Municipal and National Trading.</i> By Dr. Edwin Cannan	91

REVIEWS (continued)—

	PAGE
Barbour, James Samuel, <i>A History of William Paterson and the Darien Company</i> . By W. R. Scott	547
Bell, Lady, <i>At the Works. A Study of a Manufacturing Town</i> . By Henry W. Macrosty	258
Berglund, A., <i>The United States Steel Corporation</i> . By D. H. Macgregor ...	548
Bernhard, Dr. Ludwig, <i>Handbuch der Löhnungsmethoden</i> . By *Henry W. Macrosty	255
Black, Miss Clementina, <i>Sweated Industry</i> . By Arch. B. Clark	538
Bonn, Dr. Moritz Julius, <i>Die Englische Kolonisation in Irland</i> . By H. W. C. Davis... ..	399
(translated from the German by T. W. Rolleston), <i>Modern Ireland and Her Agrarian Problem</i> . By H. W. C. Davis ...	399
Bullock, Charles J., Ph.D., <i>Historical Sketch of the Finances and Financial Policy of Massachusetts from 1780 to 1905</i> . By N. B. Dearle	393
Chorlton, J. D., M.Sc., <i>The Rating of Land Values</i> . By C. F. Bickerdike... ..	246
Clapham, Prof. J. H., <i>The Woollen and Worsted Industries</i> . By Prof. S. J. Chapman... ..	535
Conant, Charles A., <i>The Principles of Money and Banking</i> . By C. P. Sanger ...	85
Crozier, John Beattie, <i>The Wheel of Wealth: being a Reconstruction of the Science and Art of Political Economy on the Lines of Modern Evolution</i> . By Prof. J. S. Nicholson	87
Cunningham, W., <i>Should our Railways be Nationalised?</i> By W. M. Aeworth	237
Davenport, Frances Gardiner, <i>The Economic Development of a Norfolk Manor, 1086-1565</i> . By L. Knowles	267
d'Eichthal, Eugene, <i>Le Formation des Richesses et ses Conditions Sociales Actuelles—Notes d'Economie Politique</i> . By N. B. Dearle	112
Denis, Hector, <i>Histoire des Systèmes Economiques et Socialistes</i> . By Prof. Charles Gide	561
Effertz, Otto, <i>Les Antagonismes Economiques</i> . By C. P. Sanger	112
Engels, Frederick (translated and edited by Austin Lewis), <i>Landmarks of Scientific Socialism (Anti-Dühring)</i> . By Violet Butler	405
Fisher, Irving, Ph.D., <i>The Nature of Capital and Income</i> . By C. P. Sanger ...	82
Fontana-Russo, Prof. L., <i>Emigrazione di Uomini ed Esportazione di Merce</i> . By A. C. Pigou	111
<i>Trattato di Politica Commerciale</i> . By A. C. Pigou... ..	414
Foville, A. de, <i>La Monnaie</i> . By Prof. F. Y. Edgeworth	407
Friedman, Harry G. (Columbia University Press), <i>The Taxations of Corporations in Massachusetts</i> . By N. B. Dearle	557
Gerbino, G. de Francis, <i>Commercio Internazionale</i> . By A. C. Pigou	262
Gilbert, James Henry, Ph.D. (sometime Garth Fellow in Economics), <i>Trade and Currency in Early Oregon. A Study in the Commercial and Monetary History of the Pacific North-West</i> . By N. B. Dearle... ..	557
Guthmann, Dr. Oskar, <i>Ein Zollbündnis zwischen Belgien und den Niederlanden. (Untersuchungen über die Handelsbeziehungen zwischen Belgien und den Niederlanden seit der Mitte des 19. Jahrhunderts.) Mit einem Vorwort von Prof. Bernhard Harms, Jena</i> . By Ernest Mahaim... ..	552
Guthrie, William B., Ph.D., <i>Socialism before the French Revolution</i> . By C. Violet Butler	558
Gutmann, Julius, <i>Über den amerikanischen Stahltrakt mit Berücksichtigung des deutschen Stahlwerkverband</i> . By Henry W. Macrosty	657
Guyot, Yves, <i>La Science Économique</i> . By Prof. F. Y. Edgeworth	407

REVIEWS (*continued*)—

Halle, Dr. Ernst von, <i>Baumwollproduktion und Pflanzungswirtschaft in den Nordamerikanischen Südstaaten</i> . By Prof. S. J. Chapman	412
• (Herausgegeben von), <i>Die Weltwirtschaft</i> . Ein Jahr- und Lesebuch. I. Jahrgang, 1906. III. Teil, Das Ausland	267
Hardie, J. Keir, M.P., <i>From Serfdom to Socialism</i> . By Arch. B. Clark	541
Henth, H. Llewellyn, D.P.H. (Cantab.), &c., <i>The Infant, the Parent, and the State</i> . By Helen Bosanquet	383
Hord, John S. (Collector of Internal Revenue in the Philippine Islands), <i>Internal Taxation in the Philippines</i> . By N. B. Dearle	554
Jaurès, Jean (translated by Mildred Minturn), <i>The Socialist Library</i> . III. <i>Studies in Socialism</i> . By Arch. B. Clark	249
Jebb, Miss L., <i>How Landlords can create Small Holdings. Some Examples</i> . By T. E. Kebbel	240
• <i>The Working of the Small Holdings Act</i> . By T. E. Kebbel	240
Jowett, Frederick W. <i>The Socialist and the City</i> . By R. A. Bray	543
Kropotkin, P., <i>The Conquest of Bread</i> . By Sidney Ball	252
Latgulin, J. L., Ph.D. <i>Industrial America</i> . By C. Grant Robertson	396
Lawson, W. R., <i>British Economics in 1904</i> . By C. F. Bickerdike	269
• <i>American Finance—Domestic</i> . By C. F. Bickerdike	269
Lethbridge, Sir Roper, <i>India and Imperial Preference</i> . By D. A. Barker	390
Macdonald, J. Ramsay, M.P., <i>Labour Ideal Series. Labour and the Empire</i> . By N. B. Dearle	378
Macgregor, D. H., M.A., <i>Industrial Combination</i> . By Henry W. Macrosty	105
Macrosty, H. W., <i>The Trust Movement in British Industry</i> . By D. H. Macgregor	381
Marshall, Prof. Alfred, <i>The Principles of Economics</i> . Vol. I. By A. C. Pigou	532
Marx, Karl (Edited by Frederick Engels. Translated from the second German edition, by Ernest Untermann), <i>Capital</i> . Vol. II. <i>The Process of Circulation of Capital</i> . By C. Violet Butler	558
Mombert, Dr. Paul, <i>Studien zur Bevölkerungsbewegung in Deutschland in den letzten Jahrzehnten mit besonderen Berücksichtigung der ehelichen Fruchtbarkeit</i> . By G. Udny Yule	264
Moore, H. E., <i>Our Heritage in the Land</i> . By Miss L. Jebb	244
Morison, T., <i>The Industrial Organisation of an Indian Province</i> . By J. D. Rogers	102
Oliver, Edmund Henry, <i>Roman Economic Conditions to the Close of the Republic</i> . By W. P. Reeves	549
• "Pat," <i>Economics for Irishmen</i> . By H. L. Murphy	107
Piecher, Franklin, <i>The Tariff and the Trusts</i> . By A. C. Pigou	263
Pigou, A. C., <i>Protective and Preferential Import Duties</i> . By C. F. Bickerdike	98
Pinkus, Dr. Phil. N., <i>Das Problem des Normalen in der Nationalökonomie. Beitrag zur Erforschung der Störungen im Wirtschaftsleben</i> . By A. L. Bowley	113
Pond, O. L., <i>Municipal Control of Public Utilities</i> . By Leonard Darwin	248
Popplewell, F., <i>Iron and Steel Production in America</i> . By Prof. Thomas Turner	261
Porter, Robert P., <i>The Dangers of Municipal Trading</i> . By Prof. Stanley H. Turner	387
Pratt, Edwin A., <i>British Canals: Is their Resuscitation Practicable?</i> By Dr. Edwin Canham	95
• <i>State Railways.—Object Lessons from Other Lands</i> . By W. T. Stephenson	545

REVIEWS (continued)—

	PAGE
<i>Report of Departmental Committee on Small Holdings</i>	240
Richter, Eugene (authorised Translation by Henry Wright, with an Introduction by T. Mackay), <i>Pictures of the Socialistic Future</i> . By C. Violet Butler	558
Ripley, William Z. (edited by), Professor of Economics, Harvard University, <i>Railway Problems. Selections and Documents in Economics</i> . By W. M. Acworth	232
Snider, Guy Edward, <i>The Taxation of the Gross Receipts of Railways in Wisconsin</i> . By W. Stephenson	395
Snowden, Mrs. Ethel, <i>Labour Ideal Series. The Woman Socialist</i> . By Mrs. Fawcett	376
Snowden, Philip, M.P., <i>The Socialist's Budget</i> . By N. B. Dearle	378
Spargo, John, <i>Socialism: A Summary and Interpretation of Socialist Principles</i> . By Sidney Ball	252
Ewan, Charles Herbert (of the Massachusetts Bar), <i>Impersonal Taxation. A Discussion of Some Rights and Wrongs of Governmental Revenue</i> . By N. B. Dearle	554
<i>The Colonial Conference. The Cobden Club's Reply to the Preferential Proposals</i> . By C. F. Bickerdike	415
Tillyard, Frank, M.A., <i>Banking and Negotiable Instruments: a Manual of Practical Law</i> . By R. H. I. Palgrave	383
Waxweiler, M. E., <i>Esquisse d'une Sociologie</i> . By Joseph Schumpeter	109
Webb, W. L., C.E., <i>Economics of Railroad Construction</i> . By W. T. Stephenson	233
Williamson, Charles C., Ph.D., University Fellow in Political Economy, <i>The Finances of Cleveland</i> . By N. B. Dearle	556
Wolff, Henry W., <i>Co-operative Banking: Its Principles and Practice, with a Chapter on Co-operative Mortgage Credit</i> . By C. R. Fay	385
Zimmermann, Dr. Waldemar, <i>Gewerbliches Einigungswesen in England und Schottland. Bericht der Studienkommission der Gesellschaft für Soziale Reform</i> . By Henry W. Macrosty	256

NOTES AND MEMORANDA:—

Barlow, Montague, <i>The Economic Legislation of the Year 1906</i>	115
Bickerdike, C. F., <i>Relation of the General Supply Curve to a "Particular Expenses" Curve</i>	583
Bray, Reginald, A., <i>Rural Housing</i>	127
Chattaway, C., <i>Arbitration in the Foreign Corn Trade in London</i>	428
Clapham, Prof. J. H., <i>The French Commission on the State of the Textile Industry and the Condition of the Weavers</i>	422
Cooke, E. Cozens, <i>Sugar and the Tariff</i>	566
Correspondence of Ricardo with Maria Edgeworth	431
Eason, Charles, <i>The Report of the Viceregal Commission on the Irish Poor Law</i>	131
Flux, Prof. A. W., <i>The Canadian Tariff Revision</i>	276
Foxwell, Prof. H. S., <i>A Letter of Malthus to Ricardo</i>	272
Gide, Prof. Charles, <i>The Seventh Congress of the International Co-operative Alliance</i>	679
Macgregor, D. H., <i>Labour Exchanges and Unemployment</i>	585

NOTES AND MEMORANDA (*continued*)—

	PAGE
McLauchlan, Francis, "Polish Labour" in the Scottish Mines. } From the	
Miner's Point of View	287
Moore, Henry L., The Efficiency Theory of Wages	571
Pierson, N. G., The Income Tax in Holland	417
Pigon, A. C., The Incidence of Import Duties	289
Saint-Léon, Et. Martin, Commandite in France... ..	284
Trier, Sven, Insurance against Want of Employment	138
Winfrey, R., The State and Small Holdings	122

RECENT OFFICIAL REPORTS AND OFFICIAL PAPERS

143, 295-298, 441-448, 590-592

OBITUARY:—

Goschen, Lord	144
Ingram, John Kells	299

CITY NOTES 152-154, 301-303, 449, 592-596

NOTES ON CURRENT TOPICS 154-156, 304-305, 451-457, 596-60

RECENT PERIODICALS AND NEW BOOKS

157-164, 306-313, 458-466, 601-607

THE ECONOMIC JOURNAL

MARCH, 1907

THE CONGRESS OF THE ROYAL ECONOMIC SOCIETY.

THE Congress announced in our last number took place on January 9th and 10th at the London School of Economics. It was attended by most of the leading English economists and many distinguished foreigners. The Taxation of Ground Values was the subject discussed on the first day; Small Holdings on the second day. We may express our regret that Lord Carrington, who had undertaken to introduce the second subject, was prevented by illness from being present. The Right Honourable R. B. Haldane, President of the Society, inaugurated the Congress by an address which is reproduced below (reprinted from *The Times*' report). Our second article is formed by the address which Professor Marshall gave at the dinner of the Royal Economic Society, which was held on the evening of January 9th. The present number of the JOURNAL also contains the first two papers, which were read before the Congress (by Mr. Charles Trevelyan, M.P., and Dr. Edwin Cannan). The rest of the proceedings of the Congress must be postponed to a later number.

THE EDITOR

MR. HALDANE'S INAUGURAL ADDRESS TO THE CONGRESS.

Mr. Haldane said that the Congress was not British; it was international. Whatever other differences there might be between the nations, there was a brotherhood—a brotherhood the reality of which was asserting itself more as year succeeded year—the brotherhood of science. They were to-day recognising that in science, as well as in other things, international co-operation was essential; and perhaps in no department was that more marked than in the department which dealt with the science of the State. It was not only in economics that this kind of wider outlook was beginning to come to people. In science of every kind they had witnessed the tendency of the nations to specialise. Perhaps it was more easy to preserve a common basis in those sciences which did not touch human nature; but there was one thing that was true of all sciences, and that was that their methods were necessarily abstract. Do not let them be carried away with the notion that because a method was abstract, therefore it was not an indispensable method for getting at the truth. It was obvious that the chances of reaching the truth were greater, in certain cases, the greater the abstractness of the method.

He had at that moment two books in his mind, books which, in a sense, were to-day out of date, but which, in another sense, would never be out of date, because they were the most perfect illustrations of true scientific method—the method which did not allow itself to shut out of view facts by the narrowness of its conceptions. One was Darwin's "Origin of Species"; the other was Adam Smith's "Wealth of Nations," a book written by a man who had profoundly freed his mind from every kind of narrowness. Smith wrote describing the State in which he lived. He described it, as some might say, without bias towards virtue, and, as others might say, without twist towards vice. He took the facts as he found them, and he sifted and analysed and described them from the point of view of the State in which he

was living. Smith saw perfectly well that no economic science was perfect for the purposes of the statesman unless it took account of the political circumstances and conditions of the State which was being described. He saw distinctly that there might be a condition of things in which the doctrine of commercial freedom, which was at the root of his analysis of the political as well as the economic necessities of his own country, might not have a good application. He remembered a distinguished man once saying to him about New Zealand that he would rather live in a poorer New Zealand with plenty of manufactures than in a richer New Zealand with nothing but one class of industry—namely, the industry of agriculture. He thought that was perfectly true of small States. They had, at any rate, to take that into account as a possible limitation to the application of their methods. But, on the other hand, Smith was not one of those people who, because he had discovered a flaw in the abstract procedure, therefore rushed to the other extreme and, like the vitalists of the old school of physiology, concluded that the method and principles must be entirely wrong, and that they must go to the other end in order to get a view of the truth. Rather he remained in the centre, bearing in mind the abstractness of his categories and the confusion they got into if they allowed methods and categories to be superseded merely by political considerations. And so he thought in economic science to-day that they did well to meet, as they were meeting on that occasion—meeting as representatives not of one nationality, but of many nationalities. They did well to meet because the purposes of the nations varied, and because the economists who came as representatives of those nations could not avoid being affected by those purposes. It was good for us that they should come to us and correct our insularities, and it was good for them to come to us and see that, after all, we had reason for our insular methods as regarded the particular problems with which we had to cope.

The economists were to the statesmen very much what, to use a military metaphor, the General Staff were to the commanders of armies; they worked out principles and plans for them. But they warned them that no principles and no plans could be sufficient guides in unforeseen emergencies. They dealt with as many as possible of the problems which affected taxation and the general question of the production and distribution of wealth; but they warned them that what they could do for them was to a certain extent limited, that, like everything else in the

world, economic method was an excellent servant but a dangerous master if they allowed it entirely to dominate them. They told them that without their science, without its teaching, it was impossible for a statesman to guide himself aright; but they also warned them that their methods and their principles were not enough for the statesman, and that he must look to the particular circumstances of his time and remember that he himself was dealing with what was rather an art than a science—the management of the vast complication of human affairs which could only be successfully dealt with if it was remembered that the art of dealing with human nature was recognised as essential for the solution of the problem. And so it came that to-day they saw more and more clearly the particular reservations that must be made about the conclusions of the economists. In political economy they were not dealing with simple problems like those of space and time. They were dealing with what was much more elusive, and with what lent much more danger to the situation. They were dealing with purposes and tendencies. It was only if they took things over a vast enough area that they could be sure that even the best statistical conclusions would work out rightly; and, in the problems of practical politics, big as they were, they never did have a vast enough area to be quite sure that they were dealing with scientific truth. Their methods might not take account of fifty things, so minute and yet so far-reaching in their operation that no abstract method was adequate to them; therefore, he said that the political economist could only be like the General Staff officer to the Commander-in-Chief. He could give him plans, he could work out situations for him; but he must warn him that the unexpected might occur at any moment, and that, when the unexpected occurred, the abstract science was not sufficient to enable the unexpected to be coped with. Political economy was essentially a science of tendencies which became deflected unless they took large tracts of time and large areas in which they were to operate. The nations had smaller tracts both of space and of time; and because the tendencies in the nations varied—varied with the requirements and conditions which dominated the life of the nations—therefore the economists of the nations showed divergences in their modes of thought. That did not make the comparing of notes on the part of international economists any the less interesting or any the less essential. On the contrary, it was the very way in which they got at the pre-suppositions that underlay their methods and in which the note of warning was sounded; and one of the

things which made him welcome that congress, at which representatives of nearly all the great nations were present, was that they had the opportunity of working these things out.

Take, for instance, the two subjects which would form their main topics. The question of site values and their taxation was one which had been dealt with by several nations in their different ways, and with very different success. They could not infer that what worked in Germany would necessarily work in England. Again, as to small holdings, what he would say was even more markedly true. The success of small holdings depended in a large measure on the habits of the people; and these varied with each nation. Therefore they could not draw from the French example inferences which were conclusive as to what would happen in England if similar conditions were established. But they could get a good deal of instruction from what they saw operating abroad, just as economists and statesmen from abroad could learn a great deal from us. If that were true of site values, and if it were still more true of small holdings, it was even more true still in other cases into which it was not necessary to enter.

The whole question of the Poor Law, the whole question of old-age pensions—these were questions which wanted working out with reference to the circumstances of each nation. They could not draw an inference from one case to another without very careful comparison of preliminary conditions; and yet nothing was more instructive than to see ourselves as others saw us in the light of what they had done and of the point of view from which they scrutinised the analogous problem in their own countries. And so it seemed to him that this tendency to the internationalism of science, which was again, after 300 or 400 years, beginning to set in, which did not depend on their speaking a common language, but did depend on their becoming co-operators working out different departments of great and complicated questions—it seemed to him that this new tendency was one which should fill them with hopefulness for the future. It had been said, and said with truth, that this was not an age of great men. We did not seem to be producing a Newton or a Gauss, a Helmholtz or a Laplace with the frequency with which former generations produced these outstanding figures. And yet, on the other hand, who would doubt that the general level of science was far higher to-day than it was a generation ago, and still higher than it was a generation before that? Who was there who could read the economic discussions of 60 years ago—he did not mean the writings of men of genius, but the average economic discussions

—without feeling a sense of dreariness and weariness, and of the ill-furnishedness of the kind of people who talked on every conceivable sort of subject without realising the absolute necessity of patient labour in some special direction? To-day that was still more true. People had realised that it was because of this necessity of specialisation, just because of the vast amount of work which people would have to do if they would do anything successfully, that the men of science to-day—and the economist was only a particular case—had to know a great deal more, and therefore had to specialise a great deal more, before they could work usefully for the realisation of a common purpose. It was an age in which we recognised the enormous strides which science had made, the vast amount that had to be known before an individual contribution was possible. It was an age in which we were coming to see more and more clearly that the man who would contribute anything, who wished to serve his country, who wished to serve the world, did best to confine himself to that which he was sufficiently furnished to undertake: “He,” wrote a great man, “who would accomplish anything in this world must learn to limit himself”; and that was essentially true of science to-day, and what was true of science generally was true of economics. That was why such a meeting as this one, bringing together men of different minds, of different attainments, of different specialised work, but converging upon a broad common purpose—that was why these congresses had a peculiar value such as they could not have had 50 years ago and such as they might have in an even greater degree 50 years after this. It only remained for him to declare the congress open and to express a word of cordial welcome to those who attended it from foreign nations.

THE SOCIAL POSSIBILITIES OF ECONOMIC CHIVALRY.¹

Different schools of economic thought have shown a marked tendency to convergence as to fundamentals both of method and doctrine during the last thirty years.

THE Congress which has been opened to-day under the auspices of the Royal Economic Society is one of many recent indications that economic questions are to play a greater part in the life and thought of the present century than they did in that of the past. Parliaments all the world over now spend more than half their time on economic issues, and probably no other serious subject gives so much employment to the printing presses that work for periodicals and general literature. Universities are giving more attention to it, especially in the United States, Germany, and this country. There are said to be 325 professors of it in the United States, where it is richly endowed. But in this country the economic department of almost every University except Manchester, Birmingham, and London is seriously handicapped by a lack of funds.

Much progress has been made recently in economic science, especially on the analytical side. Disputes as to method have nearly ceased; Schmoller's dictum that analysis and the search for facts are, like the right and left foot in walking, each nearly useless alone, but that the two are strong in combination, is accepted on all sides.

Again, what by chemical analogy may be called *qualitative* analysis has done the greater part of its work—that is to say, there is a general agreement as to the characters and directions of the changes which various economic forces tend to produce. Differences of opinion still exist, of course; and in controversy

¹ This paper develops the notes prepared for a speech which was made at the dinner of the Royal Economic Society on 9th January, 1907, including some which were not used at the time.

a small difference is apt to hide a large underlying agreement, and to be overrated by the public at large. But serious students on opposite sides of an economic controversy are now nearly always in fuller agreement with one another on fundamental matters than they are with those on their own side whose opinions have been formed without careful study.

Much less progress has indeed been made towards the *quantitative* determination of the relative strength of different economic forces. That higher and more difficult task must wait upon the slow growth of thorough realistic statistics. The new Census of Production may in the course of time supply one of the many sets of necessary facts, but it must fight its way gradually over great technical difficulties, increased by the present jealousy of the ordinary business man against the publication of any of his affairs.

There has been a similar but less complete convergence as to social ideals and the ultimate aims of economic effort.

But I will turn aside from these severe matters to one which is perhaps more suitable to a cheerful occasion, and which has very urgent claims on the consideration of economists at the present time. The ideals and the ultimate aims of all our economic work have been the subject of much eager discussion, but not of much careful, thorough, persistent study. I would like to ask you this evening to consider what it is that such study can do towards helping the world to turn its growing resources to the best account for social well-being.

It is a common saying that we have more reason to be proud of our ways of making wealth than of our ways of using it. Even the working classes buy many things that do them little good and some things that do them harm. And the well-to-do classes expend vast sums on things that add little to their happiness and very little to their higher well-being, but which they regard as necessary for their social position. Few people would assert that a man with fifty thousand a year is likely to have a very much happier life than if he had only a thousand; but to climb from the place in society which belongs to £1,000 a year to that which belongs to fifty thousand is a source of almost ceaseless delight to nearly every pattern of man, and to his wife. This satisfaction is, however, not net social gain: for something must be deducted for the chagrin of some of the many men and their wives who will be passed on the way. Of course, anyone who bears heavy responsibilities, and uses his brain much,

needs larger house-room, more quiet, lighter and more digestible food, and perhaps more change of scene and other comforts than will suffice for maintaining the efficiency of unskilled work, and even of artisan work; and, from the higher social point of view, it would be bad economy that such a man should cut his expenditure down below these "necessaries for efficiency" for his responsible work. In addition to this outlay, a good deal is spent upon things that yield solid, unostentatious pleasure of a wholesome kind; and only very austere people could condemn some expenditure of this kind, provided it does not absorb nearly the whole of a moderate income, or any considerable part of a very large income. Allowances must be made for these two classes of expenditure by the well-to-do; and also for the one or two hundred millions of their total income which are turned into capital annually, and thus enable us to make nature work for us as an obedient and efficient servant. But there still remains a vast expenditure which contributes very little towards social progress, and which does not confer any large and solid benefits on the spenders beyond the honour, the position, and the influence which it buys for them in society.

Now there is a general agreement among thoughtful people, and especially among economists, that if society could award this honour, position, and influence by methods less blind and less wasteful; and if it could at the same time maintain all that stimulus which the free enterprise of the strongest business men derives from present conditions, then the resources thus set free would open out to the mass of the people new possibilities of a higher life, and of larger and more varied intellectual and artistic activities.

Opinions are not likely to agree as to the amount of private expenditure which is to be regarded as socially wasteful from this point of view. Some may put it as high as four or even five hundred millions a year. But it is sufficient for the present that there is a margin of at least one or two hundred millions which might be diverted to social uses without causing any great distress to those from whom it was taken; provided their neighbours were in a like position, and not able to make disagreeable remarks on the absence of luxuries and of conventional "necessaries for social propriety" which are of little solid advantage.

The temporary suspension of the pressure of the Law of Diminishing Return from land on the population of this country gives special opportunities for social reform to the present generation, and throws corresponding responsibilities on them.

Cheap transport by land and sea, combined with the opening up of a large part of the surface of the world during the last thirty years, has caused the purchasing power of wages in terms of goods to rise throughout the Western world, and especially in Britain, at a rate which has no parallel in the past, and may probably have none in the future. The Law of Diminishing Return is almost inoperative in Britain just now, but after a generation or two it may again be a powerful influence here and nearly all over the world. Wages in Britain are now but very little affected by the rate of growth of population and the pressure on the means of subsistence. The restraining force which prevents their rise from being even faster than it is, is the fact that countries whose large expanse offers very high returns on investments in railways, in building, in developing mines and new agricultural land can outbid British enterprise in the demand for capital. The progress of the arts of production and transport has increased British prosperity fast, in spite of this. But the world is really a very small place, and there is not room in it for the opening up of rich new resources during many decades at as rapid a rate as has prevailed during the last three or four. When new countries begin to need most of their own food and other raw produce, improvements in transport will count for little. From that time onward the pressure of the Law of Diminishing Return can be opposed only by further improvements in production; and improvements in production must themselves gradually show a diminishing return. Great, therefore, as has been the rate of social progress of Britain during the last generation, we may not be contented with it. There is an urgent duty on us to make even more rapid advance during this age of economic grace, for it may run out before the end of the century.¹

¹ There are some who hold that though nature may be niggardly in her return of raw produce, compensation may be found in the more liberal supply, by aid of electricity, of the power that aids man's efforts. But this belief appears to involve a technical misapprehension. Electricity facilitates and cheapens the distribution of power, both in bulk over large distances and in detail to individual machines; and it economises power by lessening the amount of it that runs to waste in machines not fully employed. But electricity has done relatively little to economise the use of water power *in situ*. Partly on account of its inconstancy, it is, in general, far less economical than it appears at first sight for almost every purpose; the chief

Progress is in the long run delayed by exaggeration of the evils inherent in present economic conditions.

Men of certain types of mind, which are not morbid, delight now, as in previous generations, in vehement indictments of existing social conditions. Their efforts may rouse a passing enthusiasm, which is invigorating while it lasts; but they nearly always divert energies from sober work for the public good, and are thus mischievous in the long run. Let us consider a few figures.

First, it may be noted that the use which is being made of increasing wealth is not, in the main, sordid or selfish. Recent changes in the distribution among different callings of those who are "occupied"—that is, working for profits, salary, or wages—show no great increase in those who supply material comforts and luxuries; but they do show a great increase in those who are working on behalf of Government or on their own account to check disease and mitigate its sufferings, and to develop the intellectual and artistic faculties of the people. The increased output of each worker in occupations which can avail themselves of improved mechanical appliances accounts for a part, but not the whole, of this contrast. Again, if the present age were as selfish as it is often represented to be, we should find that the chief expenditure of public money for improving the conditions of life and work had accrued to the benefit of those who can enforce their will at the polling-booth. But, on the contrary, it has gone chiefly to the benefit of women and children; and meanwhile young people's wages have risen faster than those of women, and those of women have risen faster than those of men. And, again, our age has reversed the old rules that the poor paid a larger percentage of their income in rates and taxes than the well-to-do, and that the Treasury was more generous in providing sinecures for the well-to-do than in lessening the ignorance, the disease, and the sufferings of the poor.

Another exaggeration, arising out of a careless reading of Mr. Charles Booth's statistics, states that a third of the people of this country are on the verge of hunger. He estimated that

exceptions being in some chemical industries in which work can proceed throughout the twenty-four hours and be curtailed without great loss (since relatively little labour is employed), when the water supply runs low. There is not very much available water power in this country. Tidal power would not pay its expenses, save in a very few estuaries. It may be noted that the price of continuous power supply to large constant consumers is the same at Newcastle-on-Tyne as at Niagara. Electricity generated by water may enlarge the resources of Italy; but it cannot go far towards maintaining Britain's resources when her coal has become scarce.

a million people in London are poor in the sense that they belong to families, the aggregate income of which does not exceed 21s. a week all the year round—that is, £54 12s. annually. Now 21s. is the price of three-quarters of a bushel, or twenty-four pecks, of good wheat; while the average wage of English labour throughout recorded history from the beginning of the Middle Ages till quite recent times was less than six pecks of wheat a week, often mouldy; it never rose for any considerable time beyond nine pecks. I may state that one of the few things which every German knows for certain about England, is that there are a million people in London living in extreme poverty on the verge of hunger. But they open their eyes when they learn that under this misleading title are included all members of families with a less aggregate income than twenty-one marks all the year round. For twenty-one marks will buy much less food than 21s. will; and 70 per cent., if not more, of the German working-class families have a less annual income than 1,100 marks.

Again, the reasonable dissatisfaction, with which every thoughtful person must regard the existing distribution of wealth, is in danger of being perverted towards ill-considered measures of reform by Utopian schemers; who imply, if they do not explicitly state, that, if wealth were equally divided, everyone would have access to means of comfort, refinement, and even luxury which are far out of the reach of any of the working classes at present. But the fact is that very many prosperous artisans' families, certainly many more than a hundred thousand, already enjoy a larger income than they would if the total of £1,700,000,000, at which the income of the United Kingdom is estimated, were divided out equally among its population of forty-three million—that is to say, they would lose by an equal distribution of income.¹

These facts are consistent with the belief that a vast increase of happiness and elevation of life might be attained if those forms of expenditure which serve no high purpose could be curtailed, and the resources thus set free could be applied for the welfare of the less prosperous members of the working classes; the whole

¹ The statistical position may be looked at in another way. The average annual earnings of the men, women, and children employed in the chief manufacturing industries was estimated by the Board of Trade, as the result of a partial wage census in 1888, to be £48. The returns took insufficient account of the high wages earned by many piece-workers; and, though they have been criticised as possibly rather too high in some other respects, we may be sure that the average is now over £50. Therefore a family of average ability and average size, all the members of which were employed in manufacture, has now a considerably higher income than it would have under an equal division of income to all persons, including the very young and the very old.

change being so made as not considerably to slacken the springs of productive energy. But they are not consistent with the common suggestion that by retrenching the lavish expenditure of the rich, and dividing income equally, the whole people would be raised to affluence previously unknown to working men. More's *Utopia* and Morris's *News from Nowhere* stimulate aspiration, and are so beautiful in themselves that they will remain a joy for ever. And they work unmixed good, because they do not profess to be practical. But in recent years we have suffered much from schemes that claim to be practical, and yet are based on no thorough study of economic realities; that lack the subtle beauty of a delicate imagination; and that even propose to tear up by the roots family life, the tree whose fruits and flowers contribute much more than half to the sum total of all that is known of beauty and happiness by the people in general, and especially by the working classes.

Chivalry in war and chivalry in business.

Our age is, then, not quite as wasteful and harsh as it is sometimes represented. Much more than a half, possibly even three-quarters, of the total income of the nation is devoted to uses which make for happiness and the elevation of life, nearly as efficiently as is possible with our present limited understanding of the arts of life. Even so, there is a large margin for improvement; and yet in one respect we seem to be going on wrong lines. For it is easier to make believe, even to oneself, that one looks down on wealth, than to work with energy in order to make wealth a thing of which the world may be proud. But in fact material resources enter of necessity so much into the thoughts and cares of nearly everybody that, if the world is not proud of its wealth, it cannot respect itself. Surely, then, it is worth while to make a great effort to enlist wealth in the service of the true glory of the world. And history seems to suggest a route to this end.

War is more cruel even than competition to oust rivals from their work and living; but there grew up around it a chivalry which brought out the noble, emulative side of war, and even something of the finer sympathies. If in the Elysian fields a mediæval warrior be now discussing with late inhabitants of worlds many billions of miles away from our own the experiences of his old world, he may hold up his head as he speaks

of the chivalry of war, the thing that occupied people's imagination most in that age.

In the present age our thoughts are occupied with industrial progress, with the marvellous services which we compel nature to render to us in manufacture and transport. But if the talk should turn in the Elysian fields on the elevation of life which we have won by the new methods of business, we should not hold up our heads as bravely as would the mediæval knight. I want to suggest that there is much latent chivalry in business life, and that there would be a great deal more of it if we sought it out and honoured it as men honoured the mediæval chivalry of war. If we do this for a generation or two, then people bringing the latest news from this world may talk boldly of the chivalry of wealth: they may be proud of the elevation of life which has been achieved by training the finer elements of human nature to full account in the production of wealth and in its use.

Chivalry in business includes public spirit, as chivalry in war includes unselfish loyalty to the cause of prince, or of country, or of crusade. But it includes also a delight in doing noble and difficult things because they are noble and difficult: as knightly chivalry called on a man to begin by making his own armour, and to use his armour for choice in those contests in which his skill and resource, his courage and endurance, would be put to the severest tests. It includes a scorn for cheap victories, and a delight in succouring those who need a helping hand. It does not disdain the gains to be won on the way, but it has the fine pride of the warrior who esteems the spoils of a well-fought battle, or the prizes of a tournament, mainly for the sake of the achievements to which they testify, and only in the second degree for the value at which they are appraised in the money of the market.

The chief motive to the highest constructive work in industry is a chivalrous desire to master difficulties and obtain recognised leadership.

The commonplace and even the sordid sides of business work obtrude themselves on our notice. Some men are known to have become rich by foul means. Many more have prospered by a steady adherence to affairs, largely of a routine character;

with but little use of the higher imagination, and perhaps with scarcely any romance in their lives except in their family relations. These two classes of business men come into close contact with the ordinary observer; and, if he rejoices in the æsthetic expenditure of wealth which he has inherited probably from a business ancestor, he is likely to declaim in vigorous but indiscriminating language against those who greedily pursue wealth.

But there can be no doubt that at least one-half of the best ability in the Western world is engaged in business. Unless, therefore, we are convinced that human nature is irredeemably sordid, we must expect that there is much nobility to be found in business; and, if we look for it in the right place, we shall find it.

It has indeed been remarked with increasing frequency by careful observers during recent years that those business men, on whose work the progress of industry most depends, care for wealth more as an indication of successful achievement than for its own sake. Success in science, in literature, and in art can be judged directly; and a man engaged in these occupations seldom cares for money beyond a mere competence, unless he is rather sordid. He wants to be sure that he has worked well; and if he earns the laurel wreath of approval of the cultivated public, he is content. On the other hand, if business men were arranged in order according to the merits of their proposals as written down on paper and judged *a priori*, it would be a very bad order. And for that reason, more than for the money it brings them, the ablest and best business men value success. Assuming that a man's career is free from the suspicion of fraud, malign destruction of rivals, and oppression of employees; success is good *prima facie* evidence of leadership. It is often the only trustworthy evidence that is available to the public, and can be appreciated by those near to him, whose joy in his success is one of his chief rewards.

Men of this class live in constantly shifting visions, fashioned in their own brains, of various routes to their desired end; of the difficulties which nature will oppose to them on each route, and of the contrivances by which they hope to get the better of her opposition. This imagination gains little credit with the people, because it is not allowed to run riot; its strength is disciplined by a stronger will; and its highest glory is to have attained great ends by means so simple that no one will know, and none but experts will even guess, how a dozen other ex-

pedients, each suggesting as much brilliancy to the hasty observer, were set aside in favour of it.¹

The need for enlarging the honour given to the highest constructive business faculty is increased by the growth of bureaucratic rule, which is hostile to it.

. There are many kinds of laboratory experiments which a man can be hired to make at a few hundred pounds a year, but the epoch-making discoveries generally come from men who love their work with a chivalrous love. The true significance of such a man's life is often not recognised till he has passed away, but he is fairly sure that he will be honoured at last. Money is wanted to educate scientific men, to supply them with apparatus, and a moderate income earned without oppressive routine of teaching or other fatigue. But that is all that money can do. That being done, creative science can be evoked only by the force which evokes creative art and creative literature—the force of chivalrous emulation.

A chemist requires only a little space in a laboratory. But many of the most important experiments of a business man require the whole space, the whole material appliances, and the whole staff of a large business to be at his disposal, and often for many years consecutively. If he is working at his own risk, he can put forth his energies with perfect freedom. But if he is a servant of a bureaucracy, he cannot be certain of freedom; he may be given a little freedom for a while, and then a change in administration, or impatience at his failure to strike the true path of progress at his first trial, may cause him to be pulled up sharp; and his chains clank, even when they do not press tightly.

Difficulties of this kind are met not only in the industrial undertakings of Governments, but also in very large joint stock companies, and especially the so-called trusts. The chief owners of the trusts have given, and are giving, an extraordinary amount of thought to devising means whereby the heads of departments and others may be allowed a free hand; and emulation may be

¹ The imagination of such a man is employed, like that of the master chess-player, in forecasting the obstacles which may be opposed to the successful issue of his far-reaching projects, and constantly rejecting brilliant suggestions because he has pictured to himself the counter-strokes to them. His strong nervous force is at the opposite extreme of human nature from that nervous irresponsibility which conceives hasty Utopian schemes; and which is rather to be compared to the bold facility of a weak player, who will speedily solve the most difficult chess problem by taking on himself to move the black men as well as the white.

brought to bear as a stimulus to their energy and enterprise. Their devices are marvellously ingenious, and among the most instructive episodes in recent economic history, but they have attained only a modicum of success. Experience shows ever more and more that the technical economy to be attained by piling Pelion on Ossa in the agglomeration of vast businesses is nearly always less than was expected, and that the difficulty of the human element ever increases with increasing size. Much can be done by various schemes of reward and promotion as regards junior officials, and even the superior officials are stimulated by congresses and other opportunities for submitting their new ideas to the judgment of brother experts. But no fairly good substitute has been found, or seems likely to be found, for the bracing fresh air which a strong man with a chivalrous yearning for leadership draws into his lungs when he sets out on a business experiment at his own risk.

Economists generally desire increased intensity of State activities for social amelioration, that are not fully within the range of private effort: but they are opposed to that vast extension of State activities which is desired by Collectivists.

These considerations point towards the watershed which divides the large majority of economists from "Collectivists"—i.e., those who would transfer to the State the ownership and management of land, machinery, and all other agents of production. We are told sometimes that everyone who strenuously endeavours to promote the social amelioration of the people is a Socialist—at all events, if he believes that much of this work can be better performed by the State than by individual effort. In this sense nearly every economist of the present generation is a Socialist. In this sense I was a Socialist before I knew anything of economics; and, indeed, it was my desire to know what was practicable in social reform by State and other agencies which led me to read Adam Smith and Mill, Marx and Lassalle, forty years ago. I have since then been steadily growing a more convinced Socialist in this sense of the word; and I have watched with admiration the strenuous and unselfish devotion to social well-being that is shown by many of the able men who are leading the collectivist movement. I do not doubt that the paths, on which they would lead us, might probably be strewn with roses for some distance. But I am convinced that so soon as collectivist control had spread so far as to considerably narrow the field left

for free enterprise, the pressure of bureaucratic methods would impair not only the springs of material wealth, but also many of those higher qualities of human nature, the strengthening of which should be the chief aim of social endeavour.

To those who take this view of the dangers of collectivism, it is sometimes thought sufficient to reply that they still wallow in the mire of *laissez faire*. The phrase is ambiguous, and misleading rhetoric abounds with regard to it. Its original meaning was that guilds and *métiers* should not prohibit people from entering a trade for which they were competent; any one should be at liberty to choose his own work. It was not till much later that the phrase was twisted to mean:—Let Government keep up its police, but in other matters fold its hands and go to sleep.

In Adam Smith's time Government was corrupt, and though he himself, like all his chief followers, was unselfishly devoted to the well-being of the people, experience had taught him to look with suspicion on those who invited the Government to new enterprises for the public weal: for their real motive was generally to increase their own gains, or to provide easy and well-paid posts for themselves or their relatives. Matters improved but slowly during the next fifty years. But honesty and true philanthropy grew apace during the earnest, if somewhat ungainly, beginning of the Victorian era. And J. S. Mill, one of the first to proclaim boldly that Shelley was greater than Byron, made a memorable attempt to combine many of the essential principles of Socialism with an unswerving devotion to individuality and a hatred to mechanical regulations of life.¹

Mill had seen a vast increase in the probity, the strength, the unselfishness, and the resources of Government during his life; and it seems that each succeeding decade had enlarged the scope of those interventions of Government for the promotion of general well-being which he thought likely to work well. One of the chief causes of this improvement was a change of sentiment which had, perhaps, its chief origin in the Wesleyan Revival, as Lecky has well shown. The movement was promoted by Parliamentary reform; by the spread of education, and by increasing zeal in the Established and Nonconforming

¹ If anyone will read Mill's *Autobiography*, his essays "On Socialism," published in the *Fortnightly Review* for 1879, or even his discussions of progress and of the functions of Government in the last chapters of Books IV. and V. respectively of his *Political Economy*, and compare them with Carlyle's pamphlet on *Shooting Niagara*, he will see that the popular opinion as to the generosity of Carlyle's temper and the hardness of Mill's is incorrect. He may even perhaps think that it should be inverted.

Churches; by the cheapening and improvement of literature; by the rise of co-operation, itself largely due to Owen, that noble if weird prophet of Socialism; by the writings of Scott and Dickens, of Wordsworth and Tennyson, of Carlyle and Ruskin, of Newman and Maurice; and by the personal influence of Queen Victoria and of Gladstone, and other public men.

These and similar influences have co-operated with technical progress to enlarge the scope for the beneficial intervention of Government, since Mill's death even more than during his long life. Government has now many new large and subtle resources for finding out where it can do more harm than good. Partly through the co-ordination and mutual aid of the forces of central and of local authorities, it has a much increased power of putting into effective operation any decision at which it has arrived. And the people are now able to rule their rulers, and to check class abuse of power and privilege, in a way which was impossible before the days of general education and a general surplus of energy over that required for earning a living. Thus we can now safely venture on many public undertakings which a little while ago would have been technically unworkable, or which would have probably been perverted to the selfish and corrupt purposes of those who had the ear of Government. But on the other hand, this very enlargement opens out so many and so arduous new public duties that no Government, not even the German, can nearly catch up the work that is specially its own. Thus a new emphasis is given to the watchword, *Laissez faire*:—Let everyone work with all his might; and most of all let the Government arouse itself to do that work which is vital, and which none but Government can do efficiently.

For instance, public authorities are just beginning to awake to the urgency of their duties with regard to mapping out in advance the ground plans on which cities should expand—a task more vital to the health and happiness of coming generations than any others which can be accomplished by authority with little trouble, while private effort is powerless for it. So I cry, "*Laissez faire*:—Let the State be up and doing"; let it not imitate those people who have time and energy enough to manage their neighbours' households, while their own are always in disorder.

Again, let the Legislature cease to pass any Bills the true meaning of which is avowedly uncertain and must be declared by the courts of law; for such laws hamper constructive enterprise, and give an undue advantage to those who can afford

the expense of one or more appeals. Let public authorities provide building laws and bye-laws which are effective for all social purposes, and yet so well thought out and so elastic that no one is compelled to put up walls much stronger than is necessary for his purposes, in order that the automatic working of general rules, unaided by the use of brains on the part of the authorities, may secure adequate strength for other buildings under different conditions. Such reforms do not require any considerable increase of public budgets. But they require that Government should obtain its fair share of the growing intelligence of the country, and that this intelligence should be concentrated intensively on work which none but Government can do, and that it should not be spread out thinly and carelessly on any social service that is needed. It is more necessary now than ever to bear in mind that the State alone can order an adequate inquiry where agents betray their trust, or where fraudulent producers or dealers can outwit the consumer; and that no activities of its own that are not absolutely necessary should be allowed to interfere with its imperative duty to inspect and to arbitrate, for that cannot be discharged by anyone else, except it be the ever-ready writers in newspapers. Further, in the interest of the purity of the public service, it should abstain from putting its officials to work where their probity can receive but little external support, except from a system of checks and counterchecks so elaborate and cumbrous that many clerks are needed where one would suffice in private service. The increase of mechanical office work is one of the chief evils of large businesses, even under the comparatively elastic *régime* of joint-stock companies: and it would be grievously increased if public servants were under ever-increasing temptations in relation to those very matters which evade the courts of justice, and in which they themselves alone can act as efficient guardians of business rectitude.

Some illustrations of the anti-social influences likely to result from Governmental enterprise in matters where the private hand is competent for action and the hand of authority is needed to preserve purity.

Let us look at some illustrations. The careless treatment of milk is an insidious cause of disease, which public authority has hitherto treated somewhat negligently. That is indeed one sin

against the true constructive doctrine :—*Laissez faire* ; let the Government arouse itself to do energetically its proper work of educating British farmers up to the Danish standard, if not beyond ; and of enforcing sanitary regulations in critical matters such as this. No doubt, under present conditions, it may be right to organise municipal depôts to provide specially pure and appropriate milk for those infants whose mothers cannot give them their natural food. But the function of such depôts is purely educational : they ought soon to make way for enlightened free co-operation under stringent public supervision. High collectivist authority openly advocates them as the thin end of the wedge for pushing all private producers out of the milk trade. But this would seem to be anti-social. For it would close a suitable career to many men who were learning the elementary principles of enterprise in a simple business : and it would increase the glaring disproportion between the work that is required of municipal councils and the number of hours which they could give to it ; even if they had no private businesses of their own to add to their burdens ; and if they were not compelled to pay attention to appropriate means for conciliating the favour of their constituents against the next election.

The milk supply is a relatively simple affair. But Governmental intrusion into businesses which require ceaseless invention and fertility of resource is a danger to social progress the more to be feared because it is insidious. It is notorious that, though departments of central and municipal government employ many thousands of highly-paid servants in engineering and other progressive industries, very few inventions of any importance are made by them : and of those few nearly all are the work of men, like Sir W. H. Preece, who had been thoroughly trained in free enterprise before they entered Government service. Government creates scarcely anything. If Governmental control had supplanted that of private enterprise a hundred years ago, there is good reason to suppose that our methods of manufacture now would be about as effective as they were fifty years ago, instead of being perhaps four or even six times as efficient as they were then. And in that case, if the population of the country had grown to forty-three million, it is probable that the total real income of the country would be about half what it is now ; and that, if divided out equally among all families, it would yield less than the average healthy bricklayer or carpenter now earns. It has been well said that if all the material wealth in the world were destroyed by an earthquake, leaving only the land, know-

ledge, and food enough to sustain life till the next harvest, mankind would in a generation or two be nearly as prosperous as before; but if accumulated knowledge were destroyed, while the material wealth remained, several thousand years might be needed to recover lost ground.

And yet while Governments are being thus urged in the name of collectivism to an anti-social destruction of the springs of knowledge, a public engineering venture can often make a brave show. For it annexes the best products of that free enterprise which it is stifling. Its vast resources enable it to buy the most up-to-date plant, and to be for the time at least ahead in this respect of some of the very businesses whose brains it is picking. It calls attention to its accounts, and they show a profit. The ordinary observer neglects the fact that in equity every business of such a form as to be unlikely to make inventions of its own, ought to pay a subsidy to those whose ideas it is turning to account. And he neglects the fact that, when a Government undertaking becomes obsolete, its accounts drop silently away. There is, indeed, grave doubt whether those of its undertakings which have no exclusive monopolistic advantage would show a fairly good return on the aggregate capital invested in them, if their accounts were made out on the same complete and rigorous system that is required of private business.

A Government could print a good edition of Shakespeare's works, but it could not get them written. When municipalities boast of their electric lighting and power works, they remind me of the man who boasted of "the genius of my *Hamlet*" when he had but printed a new edition of it. The carcase of municipal electric works belongs to the officials; the genius belongs to free enterprise.

I am not urging that municipalities should avoid all such undertakings without exception. For, indeed, when a large use of rights of way, especially in public streets, is necessary, it is doubtless generally best to retain the ownership, if not also the management, of the inevitable monopoly in public hands. I am only urging that every new extension of Governmental work in branches of production which need ceaseless creation and initiation is to be regarded as *prima facie* anti-social, because it retards the growth of that knowledge and those ideas which are incomparably the most important form of collective wealth.

Social disaster would probably result from the full development of the collectivist programme, unless the nature of man has first been saturated with economic chivalry.

I venture to think that the able and high-minded leaders of modern collectivism lay too much stress on the technical superiority of their schemes over those of the earlier Utopian Socialists and communists. That superiority is indeed beyond question: The earlier ventures, and some even of the more recent experiments in America, disdained the use of modern machinery in the field and in the workshops. They held aloof from great world markets, and they applied almost primitive methods to satisfy little more than primitive needs. They recognised no private property even in house-room and furniture; they allowed no scope for individuality in taste or in the minor affairs of life; they arranged that everyone should share equally in the joint produce of the labour of all; or, if there was any discrimination, it was only that which, within the limits of a family subduing the prairie, allots the hardest work to the strongest and sturdiest members, and assigns to an ailing daughter or sister the choicest food, and the seat nearest to the window in summer and that nearest to the fire in winter. There was neither the opportunity nor the largeness of insight and foresight needed for a classification of workers according to their faculty, combined with special compensation in shortness of hours or otherwise for those who did specially difficult or specially disagreeable work, and so on.

Modern collectivists claim that their schemes are free from all these narrownesses. With earnest emphasis, though perhaps with insufficient appreciation of the difficulties of the problem, they foreshadow more or less distinctly a finely-woven texture, in which the warp of unified central authority and ideas is crossed by a weft of departmental responsibility and free play in detail. They point to administrations such as that of the Prussian railways, where attempts have been made, on lines which have been worked out more thoroughly by giant businesses in America, to devise opportunity and incitement for free spontaneity on the part of each successive grade of officials down to the lowest. They avow themselves to have a loyal zeal for individuality; and some of them have even followed John Stuart Mill in his passionate cry that occasional solitude is so necessary for the health of man's spirit that a world from which it was crowded out would be already half dead. In view of this tech-

nical contrast between the old and the new, it may seem at first sight that the failures of Socialistic enthusiasts in the past have no lesson of warning against the schemes which now hold the field. But I venture to think that a closer view suggests the contrary.

For many of those Utopias were almost ideally perfect experiments for the purpose of investigating how much economic chivalry there is in the breast of the common man—that is, of the man who is not endowed with the qualities of leadership. And the results proved, I think, conclusively that in the common man jealousy is a more potent force than chivalry. The immediate cause of the failure of those Utopias seldom lay in their technical deficiencies. It lay rather in the belief on the part of some of the members that others were doing less than their share of hard and disagreeable work, or were getting insidiously more than their share of the comforts and amenities of life. Those who were dissatisfied could not easily move into a neighbouring business and find their level there; for that would have involved the abandonment of those hopes and ideals which had attracted them to the movement, and for which some of them had made sacrifices. Their discontent had not the wholesome outlet which a freedom of movement affords to most people in the modern world. So it remained under the surface, and festered, till at last the whole society was full of sores, and the end came. This was, in fact, the experience of almost every if not every such scheme, except a few in which an ardent devotion to some particular religious creed, positive or negative, completely dominated their lives and thoughts. In those exceptional societies material comforts counted for little, and personal jealousies could be stilled by the counsel and authority of the leaders whom they revered as prophets, raised above the ambitions and the temptations of ordinary life.

In Germany the dominion of bureaucracy has combined with other causes to develop a bitter class hatred, and to make occasionally social order depend on the willingness of soldiers to fire on citizens; and the case is, of course, much worse in the even more bureaucratic Russia. But under collectivism there would be no appeal from the all-pervading bureaucratic discipline. A man would often think himself unfairly treated: he would believe that others were contributing less to the common fund than he was, and were, through favouritism or even corruption, drawing more from it; and such a man would, if possible, flee to a country where free enterprise still flourished. But if there were

no such haven, his disquiet would grow; obedience to authority would be given unwillingly; and if the discontented were to be kept to their work by force, the resulting tyranny would need to surpass all previous records in minuteness of detail and in the destruction of everything that makes life worth living.

I submit, therefore, that if collectivism is to work even fairly well, there must be ample provision for enabling anyone who thinks his lot unduly hard to find relief in some way that has not as yet been discovered. It is true that ingenious suggestions have been made for automatically regulating the work and pay in different occupations under a collectivist régime. They are perhaps not likely to approve themselves to anyone who has followed closely the working of co-operative or "competitive" businesses.

Let us, however, suppose, for the sake of argument, that some workable scheme to this end could be devised. We are then brought face to face with the difficulty already suggested that those improvements in method and in appliances, by which man's power over nature has been acquired in the past, are not likely to continue with even moderate vigour if free enterprise be stopped, before the human race has been brought up to a much higher general level of economic chivalry than has ever yet been attained. The world under free enterprise will fall far short of the finest ideals until economic chivalry is developed. But until it is developed, every great step in the direction of collectivism is a grave menace to the maintenance even of our present moderate rate of progress.

The social possibilities of economic chivalry on the part of individuals and the community as a whole under existing institutions.

To conclude:—There is much more economic chivalry in the world than appears at first sight. The most important and progressive business work is scarcely ever without a large chivalrous element, and is often mainly dominated by chivalrous motives. But there is also much getting of wealth that is not chivalrous, and much expenditure that has no touch of nobility. To distinguish that which is chivalrous and noble from that which is not, is a task that needs care and thought and labour; and to perform that task is a first duty for economists sitting at the feet of business men and learning from them. An endeavour should

be made so to guide public opinion that it becomes an informal Court of Honour: that wealth, however large, should be no passport to social success if got by chicanery, by manufactured news, by fraudulent dealing, or by malignant destruction of rivals; and that business enterprise which is noble in its aims and in its methods, even if it does not bring with it a large fortune, may receive its due of public admiration and gratitude, as does that of the progressive student of science, or literature, or art.

• The discriminating favour of the multitude at Athens and Florence gave the strongest stimulus to imaginative art. And if coming generations can search out and honour that which is truly creative and chivalric in modern business work, the world will grow rapidly in material wealth and in wealth of character. Noble efforts could be evoked; and even dull men would gradually cease to pay homage to wealth *per se* without inquiring how it had been acquired. Wealth-getting by sordid means would not win its way in society, nor in popular favour; and no political committee, however devoid of high sentiment, would be short-sighted enough to follow a recent example in choosing a candidate who had been proved judicially to owe much of his wealth to base means. Sordid practices would then prevent wealth from yielding that social *éclat* for which sordid men chiefly prize it, and would go out of favour with men of ability and common sense, however devoid of high principle.

The chivalry which has made many administrators in India, Egypt, and elsewhere, devote themselves to the interests of the peoples under their rule is an instance of the way in which British unconventional, elastic methods of administration give scope for free, fine enterprise in the service of the State; and it atones for many shortcomings in forethought and organisation. Again, because the dead hand of bureaucracy has stretched but a little way into her affairs, this country is able to call together voluntary committees of men trained in strenuous private enterprise, who freely give good general guidance in some large matters, such as London transport systems and army administration; and this, again, is a form of chivalry in work which has great potentialities for good, and which it is the business of economists and others to study and to praise.

Gradually, it may be hoped, public opinion may be worked up to the point at which a rich man who lives idly will be despised. The increasing strenuousness of life which shows itself in sport may find an ever-increasing vent in solid work for

the public weal. As President Eliot suggests, rich men may be led to give themselves specially to tasks which require high faculties and responsible characters, but for which it is not easy to allot large salaries: they may, for instance, take work where an impecunious person, finding large streams of money passing through his hands, might be subject to temptations from which they would be free; and they may set themselves to public tasks which would prepare the way for progress in the future, but would not yield sufficient immediate fruit to secure liberal endowment from a democracy.¹

Thus chivalry in work would run into chivalry in using wealth. Expenditure for the sake of display, however disguised by an æsthetic atmosphere, would be thought vulgar. He who devoted his energies to buying good pictures, especially by artists not yet known to fame, and gave them to the public at his death, if not before, would have reaped a good return from his wealth; and so would he who made his park beautiful, opened it to the public, and perhaps arranged for easy transport to it from neighbouring industrial districts.

Economic chivalry on the part of the individual would stimulate and be stimulated by a similar chivalry on the part of the community as a whole. The two together might soon provide the one or two hundred million a year that appear to be available, without great pressure on the well-to-do, towards bringing the chief benefits which can be derived from our new command over nature within the reach of all.

Equipped with such funds, the State could so care for the amenities of life outside of the house that fresh air and variety of colour and of scene might await the citizen and his children very soon after they start on a holiday walk. Everyone in health and strength can order his house well; the State alone can bring the beauties of nature and art within the reach of the ordinary citizen. But the chivalrous rich man could aid municipalities in such vastly expensive schemes as that of Miss Octavia Hill for gradually opening out several broad bands of verdure at different distances in and about every large town, and for connecting by transverse avenues along which working men and their wives might stroll, while the children played round them, to a recreation ground. Again, he might help towards removing the reproach that the exceptional natural advantages which London

¹ *Great Riches*, 1906. Compare another recent memorable utterance from Harvard University—Professor Taussig's address to the American Economic Association, Dec. 1905, on "The Love of Wealth and the Public Service."

derives from her great river with its high banks cannot be seen by the eye, but only by the imagination. These and similar calls would attract much of his resources while he was alive, and most of his means would go to public uses at his death. For the growing opinion that it is an ignoble use of wealth to leave large fortunes mainly to relations is reinforcing the perception by the rich that the inheritance of great wealth is seldom an unmixed good. Strong men are getting more and more to recognise that a deep full character is the only true source of happiness, and that it is very seldom formed without the pains of some self-compulsion and some self-repression. Those who from childhood upwards have been able to gratify every whim are apt to be poor in spirit.

The rich man would further co-operate with the State, even more strenuously than he does now, in relieving the suffering of those who are weak and ailing through no fault of their own, and to whom a shilling may yield more real benefit than he could get from spending many additional pounds. He would contribute towards the costly organisation needed for helping and compelling those who, through weakness or vice, have lost their self-respect, either to reform their own lives, or, at all events, to cease to drag their children down with them. He would, by increased voluntary service, aid the State to abandon the unworthy plea that even a rough discrimination between the just and unjust is so difficult and would require so large an outlay that the same measure must be meted out to all who, in old age or before it, are in urgent need of assistance. Under such conditions the people generally would be so well nurtured and so truly educated that the land would be pleasant to live in. Wages in it would be high by the hour, but labour would not be dear. Capital would therefore not be very anxious to emigrate from it, even if rather heavy taxes were put on it for public ends: the wealthy would love to live in it; and thus true Socialism, based on chivalry, would rise above the fear that no country can move faster than others lest it should be bereft of capital. National Socialism of this sort might be full of individuality and elasticity. There would be no need for those iron bonds of mechanical symmetry, which Marx postulated as necessary for his "International" projects.

If we can educate this chivalry, the country will flourish under private enterprise. Or, should collectivists succeed in showing that human nature had at last been so firmly based in chivalry that their great venture might be tried without running

violent risks, some other civilisation than that which we can now conceive may take the place of that which now exists. It may, of course, be higher. But those who believe that all the commerce of the world will ere long be carried through the air should make a few aeroplanes carry heavy cargoes against the wind before they invite us to blow up our railway bridges. For similar reasons it seems best that the difficulties of collectivism should be studied much more carefully, before the scope for creative enterprise is further narrowed by needlessly intruding collective administration into industries in which incessant free initiative is needed for progress.

Thus the end before us is a great one. It calls for steady; searching analysis, and for a laborious study of actual conditions. Economists cannot do it alone. Perhaps it may be found that their share in it will not be large, but I myself believe it will be very large. I submit, then, that a most pressing immediate call on us is to associate in our own minds and those of others economic studies and chivalrous effort.

ALFRED MARSHALL

LAND VALUE TAXATION AND THE USE OF LAND.¹

THE rates are one of the highest and the worst taxes under which Englishmen and English industry have ever groaned. Our present crude method is to treat land and the buildings and improvements on land as if they were one and the same in nature. We call them both "real property," and think it makes them the same so to call them. And then we clap the same taxation on the combined values. The consequence is that there is a tax of 2s. or 4s. in the £ in the country, and from 6s. to 12s. in the towns, on every improvement in the soil, on every farm building, on every inhabited house and cottage in the land, on every mill and factory, on every enterprise which any man starts. It might be supposed to be a virtue in a Scotch farmer to take up derelict land in Essex, spend money on it, and farm it with exceptional skill. But the moment he does so, we check his enterprise by putting a high rate upon him, which is increased with every improvement he puts upon the land. In the same way in our towns a manufacturer doubles his mill and employs more hands, and we at once double his taxation in proportion to his industrial activity. Or a country landlord builds decent cottages instead of hovels for his labourers in the old village. We at once double the rate upon them in order to warn his less philanthropic fox-hunting neighbour not to be such a fool as to imitate him. Or an enterprising builder wants to put up a new row of houses by the new tram-line; he has to calculate that, besides recouping himself for the cost of labour, of material, and of the land (of which more anon), he will have to consider whether there will be tenants who can afford to pay half the whole annual value of the house in rates every year. So necessarily he decides to erect houses of half the value and comfort which he would otherwise build in order that the wage and salary of the tenant may cover the rate.

Mr. Charles Booth, whose chapter on the "Rates and the

¹ Read before the Congress of the Royal Economic Society.

Housing Question in London" is, I think, the most lucid exposition of the question yet written, puts it in one pithy sentence :—

" When for the advantage of the consumer, and in the interest of the towns and of trade, the food of the people was relieved of a large part of the taxation it had borne, it seems to have been overlooked, or not fully foreseen, that the houses that the people lived in were, or would come to be, even more heavily taxed than their food had ever been, and that free internal development would be hindered by the peculiar incidence of this burthen."

The analogy with the bread-tax is perfect. If bread is taxed, bread becomes more expensive, some have less bread, the poorest starve. We tax houses at the rate of half their annual value. Houses therefore become more expensive; good houses are out of the reach of more people; the poorest are starved in house-room—that is to say, they are overcrowded.

Now, whether municipalities are extravagant or not, it is clear enough that the accumulated wealth of England, and especially of our towns, has increased so enormously during the very period of the great rate expansion that the amount of our present rates ought not to overwhelm them. The question is whether we ought to raise all that money in a way that checks industry and lowers the standard of comfort, sapping the resources from which we have ultimately to raise the taxation.

What we propose to do is, in fact, to make the rates a rent-charge which will be the first charge on all land in exact proportion to its selling value. That portion of the assessment which at present represents houses, industrial undertakings, and improvements of all kinds will cease to bear taxation. The remainder, which will represent land value alone, will bear the whole of what is now borne by land and buildings in common.

It is, however, not always understood how great this change will be. "Is it not merely," I am sometimes asked, "a change in name? Will not a ratepayer, who now pays a rate of 6s. in the £ on an assessment of £200, merely pay in future 12s. on a land value assessment of £100?" In some cases this will, no doubt, be the case. But in many places the shifting of the burden will be considerable. Compare two properties, one in the centre of a town, and the other on the outskirts. Both are rated now on an assessment of £300. But the land value of the central site is £100 of the total assessment, and of the suburban one only £25. In the one case, there is a building unworthy of the ex-

cellent, site position. In the other case, a very good house is paying an enormous tax. The result of the new system would be that while the central site paid rather more, the site on the outskirts would pay greatly less. And this shifting of the proportion of rating from one property to another would be going on in varying degrees all over the country. To all ratepayers, relief would be given where the buildings and improvements on the land formed the greater part of the value. Where the land values were great, the proportion of taxation would be higher. And yet there would be gain even to those who had to pay more. For they would know that, however much in future they might improve their land and put it to more profitable use, they would not, as now, suffer from an increase of taxation.

But there is another and most important direction in which the new system would have a deep and far-reaching effect. The price which has to be paid for land is a first consideration common to every industry which has to commence in our country. Upon what terms is land obtainable in this country? Land has one peculiarity which does not appear in any other commodity. The seller need never sell unless he pleases. Private reasons may impel him to realise the value of his land. He may have a public motive for parting with it. Or he may think it worth his while not to hold it any longer. But while other commodities have cost something to produce, and will deteriorate if unused, land has cost nothing to produce, and does not deteriorate in permanent value owing to the action or inaction of the owner. Now the irregular impulse to sell or use land depending on the whim or necessity of the owner creates the formidable situation that it is impossible to secure that an increased demand for land shall bring land into the market. Consequently, we find the excessive prices for land, which are the rule wherever the building hunger exists. If there is a demand for more beer, or the consumption of cotton expands, the price of beer and cotton may momentarily rise; but before long so much more beer and cotton are produced that the prices fall again. With land it is not so. The increased demand for land causes no greater production of land; it positively diminishes the quantity available. And as there is no impulse to the owners to part with it except their whim or greed, the price rises ten, twenty, a hundred-fold before the point is reached at which they are willing to meet the demand.

One year some fields at a short distance from a rising town will be let as farm land, and will have an agricultural value, and

no more. Five years later the town will have spread, and although those fields are still let for £2 an acre, their selling value is no longer from £30 to £50, but £100. The demand of the approaching town has begun. Does the owner sell? Not a bit. He tells his agent to wait. He holds on, and would scream confiscation if anyone suggested that he ought to be induced to part with his property at only twice the value it could have fetched five years before. His rates, too, remain the same, calculated on the agricultural value.

Another five years pass. The needs of the town are bounding up. Streets have straggled out to the edge of the property, and trams a quarter of a mile further down the road. Still he gets £2 an acre. Still he pays the same rate. But he could sell the land to-day at not £100, but £1,000 an acre. Not he. He sees that Mr. Podgers, at the other end of the town, who waited until the houses had flowed all round his two acres, sold for £1,500 an acre only six months ago. The agent is told to wait for the same price. Meantime, industries are being checked because they cannot pay the prices, which are thirty times the agricultural price. The builders cannot get land. While the slums in the centre of the growing town are yearly packing closer with poor human beings whose rents are increasing and whose house-room is decreasing, my lord's agents will not let the land go under £1,500. Suddenly the community gets the land into the market. The agent has orders to sell at anything above £900. He gets £1,050 an acre. But why this change of policy in the owner? Had he suddenly become struck with the misery of the slums, and had he a first dim consciousness that he was himself responsible for no more houses being built? Not a bit. His daughter had become engaged to a neighbouring landlord, and his son had "blued" a couple of years' allowances at Monte Carlo, and he therefore was pressed for cash, and determined to realise. So the town got his land what he would call cheap.

Now the question which is rising in the minds of many people is why the community should not be able to get the land at a little over the agricultural value, say at £80 or £100 an acre. All the increase is due to the growth of the town, not to the owner. It is not confiscation to compel him to use his land to the best purpose. That he should not do so is a grave disadvantage to the community.

Therefore it is that the towns are demanding that all land shall be rated on its selling value instead of the actual value at

which it is let. For the owner will not long keep the land in a condition which produces to him only £2 an acre if he is taxed on a capital value of £200 an acre, requiring him to pay as much or more in rates than he gets in return from the land. Yet where does the unfairness come in? For he could sell or let any day that he pleased for building purposes. The only impediment is his own will. It is proposed to manufacture the will in him by taxation.

It is not, however, uncommon to hear the argument urged : "How can you say that there are not enough houses at present, when there is no city in the kingdom where there are not hundreds or thousands of houses uninhabited to-day." It, no doubt, is a melancholy fact that these houses should be unused. There are subordinate reasons, such as the drift of population and the shifting of industries. Sometimes a quarter is deserted by the class for whom the houses are especially suited. But the chief reason is in our blundering rating system. The rents asked are out of the reach of the population who need the houses, because of the excessive local burdens upon all buildings. But the additional inducement is given to the owner of a house to keep it empty if he finds it difficult to let it at a rent which he judges reasonable. For the moment the house becomes empty, no rates are charged upon it. So, if a wholly unsuitable house has been built which no one would think of occupying at a rent which will cover the outlay on its erection, it may remain empty for any length of time, however much the site may be suitable for another class of house ; but this inducement to keep houses empty would be at an end under the new rating system. The land value rate would have to be paid whether the house were let or not. The immediate result would be the letting at lower rents of the houses now standing empty, or the disposal of them to other persons who would erect profitable dwellings upon their sites.

Though every Bill which has hitherto been discussed in Parliament has been confined to urban areas, there is no reason why, if the economic argument is sound, the rural districts of England should not share the advantages of the new system.

In every case where a rural landlord from insolvency, want of enterprise, game-preserving mania, or whatever other motive, fails to put his land to the best use, under our present system his assessment for rates is correspondingly lower. Someone else, as in the towns, has to pay. The burden falls more heavily on the man who is making the most of the land. His land

may be intrinsically worth no more or even less than the neglected estate. But he will have to pay the penalty for the failure of the bad landlord by higher rates on his buildings and improvements.

It appears to me, indeed, that an alteration of the rating system lies at the root of the question which is troubling the minds of everyone to-day—the exodus of the population from rural England. The small manufacturer who is just starting a precarious venture and would prefer the country to the town is at the mercy of the landlord, who will rarely part with his land in small quantities in the country for industrial purposes.* But if the land all down our railways were rated on its selling value, landlords would not dare to refuse any reasonable offer made by a manufacturer for convenient land, because the next rate-book would show a rise in their assessments more or less according with the sort of offer which had been made to them. The manufacturer would not have to wait for the Garden City Company as intermediary to get his land. We cannot prophesy, and we can only very vaguely direct the way in which rural England might be re-peopled from the cities. But we can create the conditions under which it might occur. It can never occur until the land is tolerably free to change hands wherever any man or community of men present themselves who offer to put it to fuller use than it is used for now. The growth of a race of small-holders, of village industrialists, of fruit-growers, or of any new class such as might re-people the country, must necessarily be slow and tentative. Just because it is tentative, it cannot make headway against the enormous original disadvantage of the land monopoly. I do not for a moment suggest that all the secret of the future lies in one great change, but it has increasingly impressed itself upon my mind that nothing would do more for England economically than to alter the fundamental relation of the landlord and the community. Now the community has to wait on the will or the need of the landlord. We require an automatic system by which the landlord will become as anxious to offer his land for use as the community are to use it.

CHARLES TREVELYAN

THE PROPOSED RELIEF OF BUILDINGS FROM LOCAL RATES.¹

I HAVE chosen the relief of buildings from assessment to local rates, for my special subject in this conference, because that appears to me to be the demand on which the site-value taxation movement is concentrating. In the heat of political controversies economic ideas gradually improve, and I think it is pretty clear that the old belief that something could be got for the occupier by preventing him from agreeing to pay the rates levied on the property he occupies is very nearly exploded even among the most backward thinkers. The proposal for making this kind of contract impossible does indeed still linger in the very latest bills for land-value taxation, but we may, I think, expect it to be modified till it becomes meaningless, if it is not omitted altogether. Under the Bills of a year or two back a lessee who had made a good bargain by taking at a low ground-rent a plot which subsequently rose largely in value could have deducted from his ground-rent more than the ground-rent, and, therefore, have made his landlord pay him something. This absurdity was, of course, never intended, and has now been dropped. It is still proposed that the lessor's income should be liable to indefinite reduction by the rise in the poundage of the rates which may reasonably be expected to take place as it becomes convenient to supply more services from a central local station and without charging for them by actual measurement of the quantity taken. But this proposal also will soon be seen to be absurd and only likely to kill the system of letting on long leases for fixed sums, and to substitute leases for sums growing with the site-value.²

¹ Read before the Congress of the Royal Economic Society.

² At present, when a landowner lets a plot of ground, he asks the lessee to contract to pay, say, £2 annually for ninety-nine years, and gets no advantage from any rise in the site-value till the end of the ninety-nine years. Under existing conditions it would be too difficult and expensive to arrange for a ground-rent increasing with the site-value. The establishment of a periodical valuation of site-values, carried out at the expense of the rates, will change all that, and it will be the simplest thing in the world to let land, not for a fixed sum, but for the site-value as determined from time to time by the valuation list in force. Under this arrangement, if the ground landlord is made subject to increasing rates, he will in ordinary prosperous circumstances have an increasing ground-rent out of which to pay them.

We may expect it, too, to be dropped and to be replaced by a provision that the lessee may deduct only the amount payable at the time the lease was made, which will make no difference to anyone. So I intend to confine myself to the only substantial part of the programme as now conceived; the proposal to alter the whole basis of local taxation by exempting buildings.

Before considering the advantages attributed to a proposed alteration in an institution, it is always well to endeavour to ascertain how the institution came to be established in its existing form, and why it has so far continued to exist. Let us begin by asking, then, why buildings are rated at present; and why the plan of rating them has been found at any rate endurable as long as it has. In a little book which I wrote ten years ago I endeavoured to show, and I think succeeded in showing, that it is wrong to regard the English rating system as having been historically based either exclusively on the principle of taxation according to ability, or exclusively on the principle of payment according to benefit or cost of service rendered. Local taxation was and is raised for many different purposes, and for some of these purposes the principle of ability, and for others the principle of benefit, rightly appeared to men's minds the most appropriate. The practice of levying rates in proportion to the annual value of the whole of the fixed property within the locality, and omitting all other sources of income, is, of course, flagrantly in disagreement with the principle of taxation according to ability. It established itself for the purpose of poor relief, in spite of the law and the law-courts, because of the practical impossibility of dividing up other sources of income between the various localities, a problem with which the States of the American union are still blindly struggling. But its existence for some purposes, long before the poor-rate was ever thought of, and its adoption in modern times for a vast number of expensive services rendered by modern local authorities, is due to the fact that for these purposes it is approximately in accordance with payment according to benefit. A man with a big farm is likely to get more use out of the roads than a man with a little one; a man with a big house is likely to produce more work for the drains and the dust-carts than a man with a small house, and so on. Of course, the standard of annual value is not an absolutely accurate one. It is not even so accurate as the system of charging for tramway rides by penny stages, and it is much less accurate than the system of charging for gas by number of cubic feet consumed. But some of the

services, such as watching, cannot be measured out to the consumer by any known method, and others, such as road repair, cannot be measured even roughly without enormous expense (as, for example, by turnpikes and tolls). For these it is absolutely necessary to adopt some conventional standard, and assume that the services obtained by the contributor will be nearly, at any rate, in proportion to that standard. In the course of last century the standard of annual value was considerably modified by allowances to certain classes of property. The Lighting and Watching Act of 1833 provided that buildings and their sites should pay three times as large a rate for the purposes of the Act as agricultural land, and the Public Health Act of 1848 followed this precedent by enacting that agricultural land, railway lines (but not stations), and canals should be assessed at only one-fourth of their full annual value. This scheme regulates the levy of the greater part of rates in English towns at the present day. The Agricultural Rates Act extended the principle to the remainder of urban rates and to the whole of the rural rates by providing that agricultural land (but not farmhouses) should be assessed at half its annual value for all ordinary rates except those for which it was already assessed at a quarter.

The reason given for these modifications of the general rule of contribution according to annual value of premises occupied, was that annual value as modified is more in proportion to the amount of service rendered by the local authority to the occupiers of the different classes of property. The fact that it was put forward shows that it had become recognised that, whatever the historical origin, the economic justification of the continued existence and of the further application to modern services of the system of contribution according to annual value is that it approximately apportions payment to service rendered. It was considered that occupiers of agricultural land received less per pound of rateable value than occupiers of buildings, and so the allowances were introduced. The principle is the same as that followed in the ordinary scales of charges for domestic water supply, which diminish in their percentage on the rateable value as that value increases, the idea being that the houses of high value take less water per pound of rateable value than those of less value.¹

I shall not give my own opinion as to how near the existing

¹ The idea, probably erroneous in these days of fixed baths and hot-water supply to sculleries and pantries, was doubtless correct at the time when it made its way into favour. Fire insurance payments are analogous.

scale of charges comes to apportioning payment to service. What I am concerned with is the principle of rating buildings, not the exact proportion in which they should be rated. It does not matter for the present purpose whether buildings worth £100 a year cost the local authority four times as much, or only twice as much as agricultural land worth £100 a year, nor whether a house worth £1,000 a year costs ten times as much, or only seven times as much as a house worth £100 a year. These are merely details of the application of the principle. It is sufficient for me if it is admitted, as everyone must admit, that the addition of buildings to bare land increases the expenses of the local authority, and that the increase is greater the greater the value of the building of any particular class, no matter whether the increase of expense is in exactly the same or in a somewhat greater or smaller proportion than the increase of value. If this is admitted, the rating of buildings is a means for making people pay in proportion to what they get. It is an old proverb that he who pays the piper should call the tune, and it is equally true that he who calls the tune should pay the piper. If a building is erected, whoever uses it will receive along with it a vast number of important services which are necessary for his health and comfort, and for the proper carrying on of his business. As it is inconvenient or impossible to measure these out to him as gas is measured, he is asked to pay a contribution based on the proportion which the annual value of the premises he occupies bears to the whole annual value of all the premises in the district. What can be more reasonable or more economical?

No one, whether individualist or socialist, doubts that under existing circumstances payment according to service is in ordinary cases the most economical arrangement. When we go to the butcher's or the baker's we expect to pay for what we have. We do not go about complaining that charges for meat and bread are great discouragements to eating, and that therefore butchers and bakers should be relieved of income tax under Schedule D, in order to reduce the price of meat and bread. And if anyone should have the temerity to say that buildings are more praiseworthy articles than bread and meat, I would retort that all the same everyone seems to think it quite reasonable that people should pay for their own carpets in proportion to the quantity and quality of carpet they take. Everyone who is going to occupy a house considers the cost of carpets. Has not Mr. Chiozza Money demonstrated that yard for yard the land of England is not quite worth the price of good linoleum?

No one proposes that this discouragement to building should be removed. Supposing it became convenient that housemaid-ing should be performed by the municipality, as it already performs street-cleaning and watering, would anyone see anything outrageous in a proposal that the cost should be contributed by householders in proportion to the service they required? and, if the municipality endeavoured to clean all houses equally, would it be outrageous to collect contributions in proportion to the size of the houses? I have not even heard that anyone particularly objects to the charges for water varying with the size of the house, and if the charges for bringing clean water to a house may rightly vary with the size of the house, why not also the charges for taking away the same water after it has been made dirty by use? Even the New Zealanders have not been able to answer that question, and have consequently excepted sewage rates along with water rates from the unimproved land-value rating scheme which they have recently adopted over a large portion of their country.

We are now, I think, at last in a position to examine the probable effects of the relief of buildings from local rates. The immediate effects of the change need not trouble us much. The chief of them would be a transference of wealth from the owners of property of which the site constitutes more than the average proportion of the whole value, to owners of property in which the site forms less than the average proportion. The owners of typical property in the middle ring of a town would be unaffected; owners of built property in valuable central areas, owners of unbuilt land, and owners of built property where, owing to historical reasons, the buildings are not up to the standard of the neighbourhood, would lose, and all that they lost would be gained by the owners of built property in the outskirts or elsewhere in which the buildings are important compared with the site. In nearly all towns the central area belongs to a very large number of proprietors, and is used by them exclusively for business purposes; there is no reason to suppose that they could shift the new burden to their customers. It is difficult to make any generalisations as to the persons owning the other classes of property. There is no evidence that the persons to be benefited by the change are more numerous, more needy, or more deserving than those to be damaged.

We may leave it to the politicians to estimate the justice or injustice of this mere transfer of wealth. Our business is to estimate the ultimate gain or loss to the community arising

from the working of the new system. The claim made on its behalf is that it would remove a discouragement to building, and therefore tend to diminish overcrowding.

That it would remove a discouragement to building I have no doubt. It is seldom indeed that a tax on a particular commodity does not tend to discourage its consumption and production, and buildings are no exception to the general rule. In order not to lose ourselves in a maze of commercial transactions, let us make for the moment the perfectly legitimate assumption that all occupiers build and use their own buildings, as some of them actually do. Then let us ask ourselves why they do not build and use bigger buildings. Obviously because of the cost, not only of land and bricks and mortar, but also the cost of maintenance, furnishing, and service of all kinds. Now in this continuing cost rates form an element. No matter whether a man is contemplating a new building on fresh ground, or the rebuilding of an old one, or an addition to an old one, he has to take rates into account. It is no use to build anything or make any addition to an old building, unless it is such that an occupier will find it worth while to pay, not only for construction, but also rates. There never is a man who sits down to reckon up the reasons for or against building who is not "discouraged" when he thinks of rates. Under the new system rates would still have to be paid, but the individual builder and occupier would no longer have to think of any rates, except those on the site of his building, and these would be affected only in an infinitesimal degree by anything he could do on that particular site. At present, if he puts up and occupies a big building on the site, and thereby puts the local authority to large expense in providing all sorts of services, he will have to pay large rates. Under the new scheme he would not pay directly a penny more if he put up and occupied a sky-scraper than if he put up and occupied a one-storeyed cottage. His site-value rate would only bear its small proportion of the extra cost to the local authority, and would be just as much increased by someone else erecting a skyscraper at the other end of the town. So, too, at present, if a man thinks of rebuilding and substituting a palace for little, old-fashioned buildings, or if he thinks of adding a storey or a wing, he has to reckon the additional expenditure in rates as one of the reasons against making the improvement; under the new system he would not.

It has indeed been suggested that the increased building would increase the demand for land, so that the old discouragement of

rates would be replaced by a new discouragement in the shape of greater cost of land on which to put the buildings. There would be a good deal of force in this objection if buildings were only one storey high, and always covered the whole of their curtilage. It may be true that there are some central urban areas already so built up that it is impossible to put more building on them than there is at present without infringing bylaws and Building Acts. If these conditions were general, increased demand for buildings would involve an exactly equal increase of demand for land to build upon. But in fact the size of buildings does not vary exactly with the superficial area of their sites. Buildings have a third dimension and backyards, and all those of them which are modern houses of the well-to-do usually have gardens which, even when mere strips behind terrace houses, are bigger than the site of the house. Anyone who will take the trouble to examine a large-scale map of a modern town will soon be struck by the fact that the demand for land which has raised urban land value so much in recent years is largely, I might almost say chiefly, the result of increased desire and means to pay for low-built houses, detached or semi-detached, as the low-built house must necessarily be, and surrounded, or nearly surrounded, by a garden. If we bear these facts in mind we see at once that an enormous increase in the size of buildings would have to take place before the value of land could be at all seriously affected.

I see, therefore, no reason to doubt that the proposed system would, as compared with the present one, offer a real and considerable encouragement to building. But is it desirable to give this encouragement? By very obvious means the State can encourage the production of any useful commodity. It does not ordinarily take these means, because it is recognised that the cost would be greater than the advantage gained. Would the cost of the proposed encouragement to building be less than the advantage? I think the answer is that the cost would be a great deal larger than the advantage.

The proposed arrangement would have no tendency to cheapen building materials or building labour, but rather the contrary. The encouragement offered to building by freedom from rates would simply be given at the cost of the site-owners. It would obviously be very much greater in large towns where the expense of local authorities' services is higher than elsewhere. In rural districts the amount of the services is much less than in towns. You cannot encourage a

farmer to enlarge his farmhouse by promising to free him from rates for dust collection. In small towns the services rendered may be the same as in great, but they cost less. The advantages of performing these services on a large scale are not, as a matter of fact, sufficient to counterbalance the disadvantages. The consequence is that the increase of buildings resulting from the change would take place almost entirely, perhaps altogether, in London and the great towns. As population and means are limited, if more of the increase is in great towns, less must necessarily be in small towns and rural districts—that is to say, the increase will be mostly where it adds most to the total cost of construction and maintenance. It will take place where the increase of buildings means an increase in their height, and where the cost of serving them with all the manifold conveniences provided for out of rates is greatest. The whole of this extra cost has to be paid for by the site-value owners, and the users and consumers of buildings will not get one halfpenny of it; it is pure and absolute loss to the community. To the community, as a whole, houses will not be cheaper, that is, obtained by less effort, because they are built in a more expensive manner, and are more massed in situations where it is more difficult to provide them with the usual conveniences. What is taken from site-values is simply slopped away in increased cost.

The followers of Ricardo were apt to talk as if rent could not be wiped out. You might, they thought, transfer it from one person to another, or to the State, but not abolish it. Recently it has been observed that this is not quite true. Arrangements are conceivable which would have the effect of destroying rent by causing over-cultivation of the lands which, if not over-cultivated, yield a rent. It is clear that the rent of any land, however productive, could be wiped out by the simple process of enacting that whatever rent there was should be given to all who worked on it, and then admitting all workers who offered themselves. Competition would attract just such a number of workers as would reduce the advantage of working on that land rather than any other to *nil*; in technical language, returns would be diminished till the surplus or rent disappeared. Now if, instead of the land being thrown open to all workers who choose to come, it is let to a number of farmers in the ordinary way, but arrangements are made by virtue of which each farmer will be able to charge the aggregate rent of *all* the farms with the cost of some particular farming operations—say ploughing or harvesting—the net rent eventually reaching the owner will

be diminished, since each farmer, being able to get this work done for nothing, will use more of it than is consistent with the best possible working of the land. It is just that sort of arrangement which the exemption of buildings from rating would establish in regard to what we may call urban cultivation. Over-cultivation, in its urban form of over-building, is encouraged by the provision of free services paid for by taxation of sites only, and so the surplus in the form of site-value is diminished.

The new building in the great towns would, of course, deplete the rural districts, and so there would for a time be a cheapening of the price to be paid by people for living in, or otherwise using, buildings all over the country. But this would disappear after a while, when the rural and small town houses had sunk by decay or otherwise to meet the diminution of demand. In the end, site-values would have been diminished, and nothing gained.

I suppose some will say that to diminish site-values is all they want. Well, I dare say the Hebrews enjoyed spoiling the Egyptians for its own sake, but they had the sense to combine that pleasure with the satisfaction of retaining the articles for their own use. They did not throw them into the Red Sea, to say nothing of making themselves ill by swallowing them. If the site-owner is such an objectionable person that he must be despoiled, let him be despoiled. Away with him, and let him never have a successor! But take his spoils, take them for education, take them for children's meals, take them for the navy, take them for the army, if you can find nothing better, but do not cause them to disappear in over-building our great cities. I think I hear someone say, "I care for none of these objects which you have mentioned. I don't think much of education; I think children's meals pernicious; I disapprove of the navy; I hate the army; and I don't want any reduction of taxes; but I do want to house the poor. Won't this scheme lessen the horrible evils of over-crowding?" I admit I am one of those who think that the destruction of the poor is their poverty, and that no subsidising of this or that particular commodity is likely to do very much good. The poor might perhaps distribute their means between different commodities better than they do, though I distrust the hasty asseverations of the well-to-do on the subject. But the real difficulty arises from the fact that their total means are too small. To subsidise particular commodities, even if they are as important as houses, is, in my opinion, a very feeble way of

increasing their total means. When the subsidy is confined to particular spots which are precisely those in which it is undesirable that houses should be retained if already there, I think the policy becomes evidently absurd. The House of Commons of thirty or forty years ago had the idiotic idea that when once an area was overcrowded, it ought to remain so for all time. Consequently, Parliament and the Departments imposed on local authorities, and subsequently on railway companies, the obligation to house on the same site all the poor who were dispossessed by improvement schemes, and to maintain accommodation for the same number in *secula seculorum*, and this obligation has only been partially relaxed up to the present time. In pursuance of this policy, thousands of, not the poorest class, but of a class one or two grades above it, are being kept, little children and all, in barrack dwellings within a few hundred yards of this room. The Metropolitan Board of Works and its successor, the London County Council, subsidised these barracks (whether their own or belonging to dwellings companies and trusts) with sums equal to a large proportion, and sometimes nearly the whole of the value of the site on which they stand. The immediate pecuniary loss falls on the rates of London, diminishing site-value and, no doubt, discouraging building, in which last effect there is nothing to complain of, since if the State engages in overcrowding its towns, it is as well that private persons should be discouraged from assisting in the process. The plan is idiotically wasteful. "The poor," says the sciolist legislator, "must live near their work," and it never strikes him that if that is so, their work will go to them if they cannot come to it. The presence of these subsidised barracks makes it possible for work to be carried on in this neighbourhood which would otherwise have been moved out of London. A well-known medical officer of one of the boroughs has actually alleged that such dwellings are an imperial necessity in order that foreign and colonial visitors may be cheaply served in the great hotels, and should therefore be paid for from the taxes of the United Kingdom.

Now, absurd as the present subsidising policy is, it is common sense itself compared to the proposal to subsidise all buildings in towns with the view of improving the condition of the poor. If you are convinced that you can benefit the poor more effectually by a subsidy in aid of poor men's dwellings than by any other equal expenditure, let such a subsidy be paid. If you know of no better way of raising the necessary funds than a tax on site-values, then in Heaven's name put a national tax

on site-value and encourage suburban and rural poor men's dwellings rather than urban barracks. But even if you feel compelled by some mysterious and irresistible necessity to subsidise such dwellings in towns and not in the country, why, oh! why need you couple the subsidy with a far greater one to all other buildings. Why subsidise the Savoy Hotel, Queen Anne's Mansions, and, for the matter of that, the Tower of Babel?

I daresay some will object that this is "all theory." So it is, if "all theory" is understood in its usual sense of something which can only be refuted by "facts" which, on examination, turn out to be fictions. It will be said to be refuted by the recent blue-book on the *Working of the Taxation of the Unimproved Value of Land in New Zealand, New South Wales, and South Australia* (Cd. 3191). But that blue-book shows that buildings are not exempt from local rates (but only from a State land-tax) in New South Wales and South Australia. In New Zealand the exemption covers neither the whole area nor the whole of rates in the area to which it does apply. There are only four towns in New Zealand with a population as large as that of Oxford, and I doubt if any of these with their suburbs have much more than the population of Bournemouth, which, in their straggling character, they much resemble. Two of them, commercially the most important, have not adopted the system. One of the others, after three years' experience, "cannot express any opinion without full data," while the fourth, the capital of the colony, after attributing the activity of building operations during the past year principally or altogether to the new system, adopted in 1902, adds the significant words, "with necessary restrictions to prevent overcrowding of buildings, no untoward result need be apprehended." The other towns in the colony are so small, none much exceeding 10,000 population, that their short experience cannot be supposed of much value, especially when we find that they do not agree as to whether land values have been increased or diminished. But it is noteworthy that one reports that the system "tends to crowding of houses on small sections," and another that it "appears to benefit those who crowd good buildings on small areas."

EDWIN CANNAN

INDIA'S PRESENT MONETARY CONDITION.

THE majority of the public shy at the very mention of the quantitative theory of money, associated as it has too often been with undigested statistics and crude reasoning. Indeed many regard it, if true, as a truism of no practical value when stripped of the necessary qualifying clauses. Reference to it, therefore, in these prefatory remarks upon the monetary condition of India is made with considerable hesitation. The theory stated in the baldest terms is merely the identical proposition that prices are the expression of the relation of commodities to the medium by which they are exchanged, and that, therefore, any change in the conditions attaching to one or the other alters that relation, such changes being brought about on the one side by alterations in the quantity of commodities and the rapidity of their exchange, and on the other by alteration in the quantity of money and its rapidity of exchange. The latter, in civilised communities, is a factor of great complexity, for it is, as it were, an inverted pyramid with a base of the standard metal and a vast superstructure of paper and credit. The position, therefore, nowadays no longer resembles that of the old-fashioned German game called "Bell and Hammer," where each player had his modicum of counters and the valuable cards were put up to auction. In this case it is clear that, given no change in the temperament of the players, the amounts bid for these cards will vary according to the number of counters originally distributed, and that the game is not affected by the number so allotted. So, too, in primitive communities, to take Professor Marshall's illustration, if a postman could go round and take away or give to each person half as much coin as he had, business would go on just the same as before, though in the one case prices would be halved, and in the other rise 50 per cent. In modern life, also, huge as is the superincumbent mass erected upon the basis of gold, a change in the quantity of gold still has a potent effect upon prices though

its action is indirect. As Professor Marshall has said, though the rate of interest depends in the long run upon the profitableness of interest, yet changes in the supplies of currency affect prices by causing a temporary wave or ripple in the long rate of discount. For example, if gold leaves the Bank of England, the tendency is to protect the reserve by raising the rate of discount, business contracts, prices fall and equilibrium is reached, the lesser quantity of currency sufficing at the lower level of prices. So contrariwise if gold arrives, the bank-rate drops, business grows, prices rise, and the new equilibrium is maintained, the increased gold sufficing for the increased level of prices. In India the use of paper money, the clearing-house system for cheques and the development of credit are yet in their infancy. Metallic currency, therefore, plays a part more closely allied to that of the counters in the old German game than in any other country, except perhaps China, and owing to the fact that Government, by means of its numerous treasuries and currency agencies and its habit of keeping its own cash balances, takes the leading part in the distribution of money to the interior, it is possible to analyse, to compute, and to watch the working of the monetary machine in a way that is not possible in any other country in the world.

Indian commercial activity centres round raw produce which is either exported as it is or worked up into an intermediate form for foreign consumption, as, for instance, gunny bags in the east and cotton yarn in the west. As each harvest approaches, whether it be jute in Bengal, rice in Burmah, wheat and seeds in the Northern India, or cotton in the centre and west, vast floods of rupees are forced up country from the sea-board to which the silver is consigned, and where the brains and directing energy of the country resides. The wants of the peasant are few, and his well-being precarious, dependent as it is on the nature of the season. Any superfluity, therefore, in good years is put away, or more commonly converted into ornaments, whilst whatever is not absorbed finds its way to branch banks, sparsely situated in the inland towns, or to the treasuries of Government in payment of revenue, or to the tills of the country railway stations. From these it trickles back to the sea-board towns in a much attenuated stream. At this point it is apposite to explain the part Government plays in the flow and ebb of currency. The revenue is collected at the treasuries of each district, of which the number is about two hundred and fifty, and the surplus, after the

satisfaction of local liabilities, is required at the presidency towns to meet expenditure there, and the drafts of the Secretary of State, drawn to discharge the immense sums due to England on India account. During the season of harvest it is unnecessary to bring down all this surplus in hard cash, as trade is only too glad to take it over *in situ* and pay the equivalent at the Presidency towns. Government, also, is frequently able to avoid the necessity of remitting to the sea-board during the slack seasons by a manipulation of the note reserve. The law requires that against a circulation of about forty crores only twenty-eight to thirty crores of metallic reserve need be held, and nothing is prescribed in the statute as regards the *locale* of this reserve. It is found in practice that it is only necessary to keep at hand a very small amount. The device is therefore often adopted of transferring on the Government books the surplus of a treasury to the note reserve, and making a *per contra* entry at the headquarters town of an equivalent amount from the note reserve to Government's cash balances. By this means it is possible to retain up-country much silver until such times as it can be absorbed by trade.

The ground is now almost clear for the application of economic reasoning to the state of affairs now obtaining. It only remains to describe briefly the monetary position before the mints were closed, and the methods by which supplies were annually provided.

Careful, patient, and scientific research has shown that at the commencement of the last quarter of last century the annual accession (about seven crores) to the currency in British India was only slightly in excess of the annual waste. That is to say, the outturn of the mints merely replaced the quantities absorbed by hoards, export by land and sea, and melting. Of these factors the most potent is melting, and there is no question but that at least¹ four crores of this loss is attributable to this cause. After 1881 the quantities of silver coined increased somewhat rapidly, and it seems clear from the same researches that the annual loss did not increase in the same ratio. This conclusion is confirmed *a posteriori* by a study of general prices, in which a rise becomes apparent in 1886. If an estimate be demanded to give some definition to the change, it may be said with sufficiently probable accuracy that the circulation rose very slowly from about 115 crores in 1876 to 120 in 1886, and then more rapidly to 130 in 1893. Attention may now be diverted to the agency by which the seasonal supplies of currency are effected. It is mainly that

¹ At a later period, the loss due to melting is taken at five crores.

of the great exchange banks. At the approach of each busy season operators in produce, as has already been indicated, require a large volume of coin, and whilst a few of these make their own arrangements, the great majority are content to employ the banks. The latter obtain rupees either by indenting on the Government balances, which they do by buying council drafts and telegraphic transfers, or by the export of silver bullion for mintage into rupees. I am, of course, still speaking of the methods prevailing before 1893. In that year the Government of India determined that the double evil attendant on the free mintage of silver, namely, excessive oscillations in exchange and the fall in its gold value to which no end could be foreseen, was intolerable, and closed the mints. In other words, Government determined to make the rupee a monopoly, divorcing its value in exchange from its intrinsic value as silver and raising its price by shutting off supplies. At the time the rupee stood at 1s. 2½d. Government therefore set itself the task of raising it three halfpence. As the annual wastage was at that time not less than eight crores many were sanguine of rapid success. It was thought that by withholding council drafts which constituted the only remaining source by which rupees could be obtained, the desired par could at once be established. No more profound mistake could have been made. Of the former wastage probably not less than five crores was due to consumption of rupees in the arts. This of necessity ceased when the rupee became more valuable than silver. The wastage, therefore, under the altered conditions was no more than three crores. Other circumstances also existed which militated against immediate success. Government permitted the coinage of a good deal of silver that was on its way when the closure was announced, whilst the first effect of the restriction was naturally to bring back rupees from beyond British India, and to attract them from hoards. Lastly, public confidence was not assured of the success of the experiment, or of the resolution of Government to persevere. The first result, therefore, of the closure was to increase the circulation, and the rupee was worth less in exchange than before, whilst apprehension lowered it further. The attempt to ask 1s. 4d. for council drafts, when they were only worth 1s. 2½d. or less, was in these circumstances doomed to failure. The banks stood out, and Government, in the end, had to give away and sell their drafts for about thirteen pence halfpenny. This figure was, no doubt, in part due to reaction, but probably also represented, as has been de-

monstrated above, an increased circulation. To this extent the task of Government was more difficult than ever, for, if gold, the rupee and commodities were in equilibrium with the rupee at 1s. 2½d., then the rupee at 1s. 1½d. must be redundant. In the next three years the policy of abstention from coinage was resolutely pursued, and as each busy season recurred the want of the customary floods of silver became increasingly felt. Matters reached a climax at the height of the Bombay cotton season in December, 1896. The rupee revived to 1s. 2½d., and to ease the excessive stringency of the money market, Government set free two crores of silver from the note reserve substituting its own securities. Trade was at length feeling severely the pinch which was inevitable in a policy of restriction, and this was only the first of many rude shocks. Yet it is certain that to the present moment the commercial public has not yet fully grasped the fact that it is by way of the money market in times of active trade that the value of the rupee is raised in terms of commodities. In 1897 the rate of discount rose higher still, and the rupee touched 1s. 3½d., and it was 13 per cent. in 1898 when the rupee reached par. The monetary position was twice eased between 1896 and 1899 by issuing, on the first occasion, about twenty-five lakhs of notes against gold tendered in London, and later by a similar acceptance of gold amounting in all to two hundred and eighty lakhs of rupees. On the other hand, there is no doubt that the success of the policy of restriction was in part attributable to the contemporaneous fall in the value of gold due to the great production in South Africa.

To return to the recital of the position in historical sequence, when the rupee touched the desired par, the employment of the sovereign became at once practicable. Though the Government of India has never admitted the liability to give silver for gold, it was recognised that to deny the exchange in practice would naturally retard the use of the latter metal. Moreover, even if the desire existed, its accomplishment was hardly possible, so long as, the obligation of giving notes for gold being admitted, the holder of gold could present his gold for notes, and then tender the notes for silver. In point of fact, Government welcomed the advent of gold, and thinking to encourage its use and disseminate its accumulation, attempted the mistaken expedient of tendering unsolicited sovereigns in part payment of salaries and money orders—a mistaken step because it violated the currency paradox that the

circulation of a coin is not promoted by displaying anxiety to part with it, but a desire to take it back.

For a while everything went merrily. Government had about fifteen crores of silver held against the note circulation; and the banks, desirous of importing funds, when they found the price of councils unattractive, imported sovereigns and took what silver was required. The stock of rupees ran down, as might have been anticipated, with alarming rapidity. In the year 1900-1901 the demand for money to finance the harvests became so acute that Government was forced to meet it by coining the astounding quantity of seventeen crores of rupees. A quieter year followed, in which only five crores were coined. In 1902-03 the coinage was eleven and a quarter crores, in 1903-04 sixteen crores, in 1904-05 eleven crores, and last year no less than nineteen and a half crores! The Government grasped with intelligence the immediate necessities of the situation. The demand for currency involved the coinage of rupees, and the public could compel the coinage of as much as it desired by importing gold and demanding its conversion. This system was attended with considerable inconvenience and financial loss. The public had to bear the cost of importing gold which Government had to ship back again at its own cost in order to bring the requisite silver. Any delay, also, occasioned by this circuitous process meant a loss of interest to both sides. Three business-like steps have, therefore, been taken to improve matters; the Government of India sells council drafts in advance of its own needs in treasury account and buys silver with the proceeds. It also takes over, on terms in London, gold that would otherwise be consigned from Australia to India, and it buys silver deliverable in Bombay from the further East, and makes payment in London. By these means the Government of India obtains the silver necessary to satisfy the needs of the market with greater expedition and greater economy than heretofore. It is also able, by means of its cash balances held in London and of the profits arising from coinage which are held in London in gold, to make its purchases of silver at times at which the price is favourable and without raising the market against it by its operations being clearly visible as they must necessarily be under a hand to mouth policy.

The recital of India's recent monetary history and of the situation now obtaining is now complete, and we can pass to an examination of the weak points disclosed. Broadly it may be

said, to borrow a metaphor from operations of war, that there seems apparent in the policy now pursued a disposition to secure tactical advantages at the expense of the strategy necessary to assure permanent success.

By undertaking to supply on demand all the currency desired by trade, Government, in effect, assumes the responsibility of estimating what those requirements may be. Ordinarily, under a system of free mints the Government stands aside and merely certifies the value of the currency minted and enacts that the tender thereof shall be a legal quittance in discharge of an obligation. The public estimates its own wants and provides for them accordingly. Should a shortage or a redundancy occur, it is entirely a matter for the public to deal with. Whether it be possible or not for Government to stand entirely aloof when the currency must largely depend on a monopoly rupee, will be referred to again later on. Here it is merely desired to emphasise the disadvantage attaching to Government being mixed up with matters properly pertaining to private enterprise. Two greater evils, however, attach to the present system. Prices may become inflated, and this inflation may lower exchange and so cause India to lose all the advantages so painfully secured.

Formerly, as has been observed, the greater part of the currency disappeared yearly into the melting pot, whilst the residue over and above this wastage was absorbed as the country gradually progressed. In other countries where free mints exist, any redundancy is automatically cured by the surplus being exported. As the rupee is now no longer melted, the position in India has altered very materially. Instead of a yearly addition of about nine crores, of which, perhaps, five crores were melted, three hoarded or exported, and one absorbed, the yearly mintage is assuming gigantic and growing proportions. Admitting that the prosperity of the country is now great and its progress of recent years unusually rapid, still it is not probable that more than five crores of rupees can be required to maintain the former equilibrium of prices and exchange, bearing in mind that the yearly addition to the circulation in gold cannot be less than a crore. The conclusion, therefore, cannot be resisted that the floods of rupees entering the country in the busy seasons must, finding no employment thereafter, choke the circulation in the dull seasons, and raise prices, whilst each succeeding year the demand grows like a snow-ball rolling down a slope. It is equally certain that there is a

point at which high prices must arrest export, and cause a fall in the gold value of the rupee.

To make quite certain that the line of reasoning followed throughout this paper has been firmly grasped, it is restated and summarised.

Vast supplies of rupees are required, not to carry out the ordinary transaction of everyday Indian life, but at the season of harvest to enable the peasant to transfer his produce rapidly into the hands of middlemen manufacturers and exporters. The machinery for the provision and transfer of these supplies is so efficient, and the supplies are themselves so bountiful, that little incentive has hitherto existed to change. The peasant whose wants were few was formerly in the habit of buying silver for conversion into ornaments, and to a lesser extent put away rupees against bad seasons. Thus the rupees which became superabundant between the harvest were fortunately absorbed, though there were signs after 1886 of a slight tendency to inflation. In a word, the currency was elastic. The position is now entirely altered. Granted that the country is now prospering after a succession of lean years; granted that the stability of Exchange has given a real fillip to progress; granted much of what Lord Curzon's many admirers claim for him; it is unreasonable to suppose that the commercial and industrial conditions of the East have altered their complexion, or that the rate of economic progress can be suddenly accelerated. At present the very perfection of the methods of supplying currency renders it difficult, as has been indicated, to make any except radical improvements. But this is, after all, a small point. The crux is now inelasticity. It matters not greatly which at the commencement is cause and which consequence, that is to say, whether high prices have induced greater supplies of currency or great supplies have created higher prices. The point is that each reacts on the other. An ever-increasing quantity of currency is required at each recurrence of the seasons of active trade, and so, *ad infinitum*, unless the addition is absorbed in the intervals. For a time everyone but the unskilled labourer is pleased. The trader and the agriculturist forget that their payments as well as their earnings are according to a higher measure of value. As wages rise the labourer suffers until his remuneration rises with that of the rest. Theoretically, in the end, no one gains and no one loses, except the whole community is the poorer for the economic waste involved in producing and using more counters than are essential for the conduct of business.

This analysis, however, only holds good of an isolated country carrying on no foreign trade. Should it trade with another country with the same but unaltered standard of value, a new equilibrium is attained by the export of the redundant currency from the one country to the other. Should the standard of that other country be gold, and its own standard be inexportable, then gold, being a commodity like others (in the country with inconvertible currency), will rise like them in price; that is to say, the exchange value of the inconvertible standard falls.

There is no justification for the existing state of the Indian currency, of which this lengthy description has been given. It is not in the least necessary. The people of India prefer, and always have preferred, gold to silver, and they will, if they are permitted, use it with great readiness. The sovereign already circulates to a considerable extent in large cities and centres of trade. If five and ten rupee pieces¹ are coined, they will be still more popular. Neither the rupee nor small gold coin of these values are units sufficiently small for the everyday life of the people, but, as has been explained in these pages, the rôle of the rupee is to be the medium of exchange used by dealers and cultivators during the vast operations of harvest time. When the season is over the rupee disappears into the melting pot,² or into hoards, or finds its way into the Government treasury or branch banks, or changes hands in the larger and rarer transactions of ordinary life, such as the purchase of plough, cattle, or at the great ceremonies attendant on birth, death, or marriage. Gold coins are even better suited than the rupee for many of these purposes. They are cheaper to transport, and easier to carry. They have an intrinsic worth based on the world-wide action of the laws of supply and demand, instead of depending for their value upon the action of a bureaucratic Government, of which the *personnel* may at any time be ignorant of the principles of monetary science. And, above all, they can be exported in the intervals of dull trade, instead of remaining to inflate prices, check prosperity, and endanger the exchanges. If the policy here advocated be pursued, a few years should see India with a currency of which about four-fifths might be silver and one-fifth gold. The silver or token currency would remain approximately constant with a slight annual increase

¹ The half sovereign is an awkward unit (Rs. 7/8) and there is a danger of India being flooded with worn coin. The rate of wearage in India is very slow. Probably coins of greater purity would be preferred.

² I speak, of course, of things as they existed previous to the mint closure.

to supply growing needs, whilst the gold would form the marginal element, contracting and expanding with the ebb and flow of business activity. And the stability of these currency arrangements would be still more impregnable if the gold reserve fund derived from its sacrifices and gained by its exertions was kept in the country that owned it—kept not in the form of securities, useless should the occasion arise for their utilisation, but in gold ready for instant exportation.

COTTON SUPPLIES.

ABOUT a hundred years ago the bulk of our cotton was obtained from our own colonies. In 1786-90 the British West Indies contributed 75 per cent. of the cotton received by Great Britain, the Mediterranean countries 19 per cent., Brazil 8 per cent., the United States and India less than 1 per cent., and Egypt none at all. These facts are strikingly in contrast with present conditions. The average quantities of raw cotton imported annually into the United Kingdom from the chief sources during the period 1901-1904 were as follows :—

	Million lbs.
United States	1,424
Brazil	31·5
Peru	8·6
Chile (including the Pacific coast of Patagonia)	2·2
Venezuela and Republic of Colombia	0·5
British West Indies and British Guiana	0·6
Turkey (European and Asiatic)	1·1
Egypt	314·4
East Indies	61·9
Australasia	0·041
All other countries	3·8
Total	1,849
Re-exported	260

Our dependence on the United States is even greater than that of the Continent, because, for a variety of reasons, more Continental machinery than English machinery is adapted to deal with short-stapled Indian cotton. Consider the following significant figures :—

Foreign Exports and Home Consumption of Indian Cotton for Seasons ending June 30th.

(In thousands of bales.)

	Season of 1901-02.	Season of 1902-03.	Season of 1903-04.	Season of 1904-05.
Exported to Great Britain	27	132	138	46
„ Continent	731	1,162	1,380	690
„ China, Japan, &c.	860	409	465	738
Total foreign exports	1,618	1,703	1,983	1,474
Mill consumption	1,765 ¹	1,739	1,745	2,030 ¹
Local consumption	413 ²	413 ²	413 ²	413 ²
Total	3,796	3,855	4,141	3,917

¹ Estimated.

² As estimated by the Government officials of India.

It is no easy matter to determine to what extent it is possible to increase the output of raw cotton in the United States. The area within which it is at present grown covers no less than 600,000 square miles. Of this area not more than 50 per cent. is in farms; and not more than 20 per cent. has at any time been cultivated. In 1895-6 only 5 per cent. of the whole was under cotton, and in 1905-6 just over 7 per cent. At a first glance it might seem that there is room here for indefinite expansion. It is claimed, for example, that much of the worn-out cotton lands in the Eastern States can be restored to fertility. This is probably true; but so far very little progress has been made in this direction; and if and when they are more extensively resorted to, a fairly wide rotation of crops will be necessary if they are not to relapse into their present condition. Again, it has been said that the black prairie lands alone of Texas could produce all the cotton now grown in the South, and the Lancashire Commission has estimated that the whole of that State could produce as much as 30 million bales. The first and more limited estimate supposes conditions of complete absorption in cotton-growing with a considerably heavier yield than exists at present, and it is only on the assumption that cotton can be raised from the same land year after year without deterioration, and that all the land in the State capable of growing cotton be cropped in this way, that the prediction of the Commissioners could be fulfilled. It must be remembered that of the 170 million acres in Texas, one-half lies within the semi-arid and arid belts of the United States, and that at least 40 per cent. of the whole cannot be cultivated. Of the remaining 100 million acres, much has yet to be cleared, much requires to be irrigated, and some is unsuitable for cotton. At the present average yield per acre it would take 80 million acres to grow the amount suggested by the Cotton Commission; and we must be prepared to find that as farming in the South becomes more intelligent it will become more diversified; even in 1899 as much land was under cereals as under cotton. These considerations have not been altogether neglected by the Commissioners, who suggest that it is in superior methods of cultivation that the best hopes of the South lie, and, indeed, it is not impossible that the yield per acre may be considerably increased within the next twenty years. Some members of the United States Agricultural Department believe that, while any considerable extension of the area under cotton is unlikely, great improvements may take place in methods of cultivation. It is said that in the whole of the cotton belt a really

first-class crop of cotton is rarely met with. Much of the seed used is now taken from public gins in which good, bad, and indifferent have been intermingled; a large proportion of the land is in the hands of the negro cultivator, whose methods are slovenly; the chemistry of cotton-growing is still in its infancy, the best constituents of a soil suitable for cotton, as well as the proper fertilising agents to apply to it, being but vaguely understood.

In Egypt the area under cotton has been steadily extending, as a result partly of the growing demand for Egyptian cotton, and partly of the irrigation schemes of the Egyptian Government. We cannot hope, however, for further increase under present conditions. The area under cotton is strictly dependent upon the amount of water that can be supplied by irrigation, and until its volume has been augmented by some far-reaching scheme, we doubt the possibility of further important extension of the land so used in Egypt. Perennial irrigation, that is, irrigation from canals which run all the year round, is indispensable: at present, with the aid of the great barrage at Assuan, it is possible to water in this way Lower Egypt, the district of Ibrahimieh Canal, and the Fayoum except during years of low Nile when the supply is still insufficient. The total area thus irrigated is 4,010,000 acres, distributed as follows:—

	Acres.
Lower Egypt—Thoroughly reclaimed...	2,630,000
Undergoing reclamation	800,000
Upper Egypt—Ibrahimieh Canal	250,000
Fayoum	330,000
Total	4,010,000

According to the scheme of the Irrigation Service, not more than one-third of these tracts should be devoted at the same time to summer crops—that is, cotton, sugar, &c. This scheme, it is true, has been departed from, and some lands carry cotton year after year, but at the cost, it would appear, of decreased yield per acre. Further, cotton is not the most paying crop all over the perennially irrigated region. In the Southern half of Lower Egypt, for example, according to some figures given by Sir John Willcocks a few years ago, the profit per acre is £7 7s. for cotton, £30 each for fruit, and for sugar-cane for eating, and £12 for vegetables. In this region cotton covers only one-half of the cultivated land; along the Ibrahimieh Canal one-half of the land is under sugar.

No survey, however brief, of the state of affairs in Egypt would be complete without some consideration of the possibility of extending the perennially irrigated area in the future. To the north

of the cultivated part of the delta is a district of waste land 880,000 acres in extent, which, with the land now covered by lakes still further north, was once the most fertile part of all Egypt, and in Upper Egypt and the Soudan there are also large tracts which would yield cotton. But it is useless to meditate the cropping of these lands until greater supplies of water are obtainable. Great projects have been conceived, but they cannot be carried out immediately. Such schemes as the Wady Rayan reservoir, or the barrage at Lake Albert, might solve the problem of perennial irrigation for all Egypt. With the present water supply it may fairly be argued that Egypt is now growing too much cotton. A low Nile, even with the Assuan barrage, means loss to a greater or less extent. Water is only obtained for the present cotton crop by throwing out of cultivation a certain amount of less fertile land which might be utilised could some of the water now devoted to cotton be turned on to it. The difference in renting value, moreover, between land under perennial irrigation and under basin irrigation is not very great. The problem of cotton-growing in the Soudan is similar to that of its growth in Egypt. Without irrigation it is impossible, and until a better water-supply has been secured for Egypt, we cannot hope for more than experimental crops in the Soudan.

India is third, and a poor third, in the production of cotton for export, and in some respects this is surprising. Climatic conditions are in many places not unfavourable to cotton, and the soil is frequently suited in a high degree to its requirements. Nevertheless, the total supply is relatively small, the yield per acre generally much below the average, and the cotton itself, as a rule, coarse, short-stapled, and dirty. The general opinion among those competent to judge seems to be that all native varieties of cotton have deteriorated owing to exhausted soil, inferior methods of cultivation, and want of care in the selection of seed. Attempts to improve the Indian crop have been made along two lines: the one by the introduction of exotics, the other by careful selection and cultivation of indigenous plants. So far the introduction of exotics has not met with much success. They are difficult to acclimatise. The American plant, for example, owing to the humidity of the Southern States, has developed a root system which does not penetrate far below the surface, and in India the long droughts render it essential that the roots of the plant should have some depth. As regards the improvement of the indigenous varieties, it has been shown by experiment that careful selection from the best and most prolific plants improves

the length of the fibre and the percentage of lint to seed, and that cross-fertilisation will elicit new and vigorous varieties. But we must not look for any large immediate increase of the Indian crop; the whole matter has hardly passed out of the experimental stage, and it will take a long time to train the Indian cultivator to adopt better methods.

The uneasiness caused by our excessive dependence upon the United States, combined with the belief that shortages of supply are more frequent than they ought to be, and the fear that diminishing returns may be operating now in America, or may be expected soon to operate, occasioned the formation in England of the British Cotton-Growing Association on June 12th, 1902. It now works under the sanction of a Royal Charter, and has met with much valuable official support. At present the share capital of the Association is nearly £250,000, and an effort is being made to raise it to half a million. Professor Dunstan, of the Imperial Institute, on a reference from the Government, has made favourable reports on the possibilities of extending cotton cultivation, but the provision of satisfactory transport facilities is yet a matter to be dealt with in many places. Machinery, financial assistance, and assurances as to sales and prices, are being given liberally by the Association where they are needed; ginning and buying centres have been established; experts have been engaged to distribute seed and impart instruction; some land has been acquired for direct working by the Association; and the co-operation of the Governments of some of our Colonies have been secured.

Results have hitherto been most favourable in the West Indies, both as regards the quantity and quality of the crops, some part of which has realised as much as 16*d.* and 20*d.* per lb., that is considerably more than the prices paid for American-grown Sea Island.¹ Gold Coast cotton has sold at a $\frac{1}{4}$ *d.* to $\frac{1}{2}$ *d.* per lb. more than middling American. Little has been accomplished in Sierra Leone; but the possibilities in British West Africa have excited hopes, and in Lagos crops are increasing. The average price of the cotton grown in West Africa is about the same as middling American, though some of it has sold for as much as 25 to 30 "points on," i.e., about a halfpenny more, which is fully the price of the quality mostly used in England. In Southern Nigeria success is slight, as the natives are not easily persuaded to try experiments. Some crops of good quality have, however,

¹ Great success, as regards quality, has also resulted from some recent experiments in Seind.

been raised, and the climate appears to be suitable for kinds demanded in bulk for Lancashire mills. In British Central Africa the planters working on the lower lying grounds, which are extensive, have been successful, but otherwise results are not satisfactory. If Uganda good cotton has been raised, but the Association has not taken steps in that quarter; in British East Africa only a start can be recorded, and the experiments made in South Africa are insignificant. For working in Rhodesia a small syndicate has recently been formed in conjunction with the British South Africa Company. The table beneath displays the present state of affairs in figures :—

Approximate Estimate of Cotton Grown more or less directly under the Auspices of the Association.

				(Bales of 400 lbs.)			
				1903.	1904.	1905.	1906.
Gambia ... ..	...	...	...	50	100	300	—
Sierra Leone ... ..	...	...	...	50	100	200	250
Gold Coast... ..	...	...	...	50	150	200	250
Lagos ... ..	...	...	...	500	2,000	3,200	6,300
Southern Nigeria ... ..	...	...	...	50	100	150	200
Northern Nigeria... ..	...	...	...	50	100	500	1,000
				<hr/>			
West Africa ... ..	...	...	...	750	2,550	4,550	8,000
East Africa... ..	...	...	...	150	850	2,000	3,500
Scind ... ..	...	...	...	—	—	500	2,000
West Indies ... ..	...	...	...	1,000	2,000	4,000	6,000
Sundries ... ..	...	...	...	—	100	250	500
				<hr/>			
Total ... ..	...	...	...	1,900	5,500	11,300	20,000
Approximate value ... ..	...	...	...	£29,000	£75,000	£150,000.	£270,000

It should be noticed that other countries are making efforts, on a less magnificent scale, to extend Colonial cotton-growing, and that Russia is doing similar work in the Provinces of Central Asia and Trans-Caucasia, whence 100,000 tons of cotton of an inferior quality were brought in 1900, a year in which Russian imports of cotton exceeded 165,000 tons.

It is obvious that all statements regarding the possibilities of developing cotton-growing in Africa (outside of Egypt and the Egyptian Soudan) must be tentative in character. There are large areas in Nigeria, British Central and East Africa, and Rhodesia which, as far as we can judge from a study of their climate and vegetation, seem well fitted for the growth of cotton. But local conditions have everywhere to be taken into account. Here the soil for some unexplained reason is unsuitable, there the difficulties of transport are too great, and in many places, especially within

the palm-oil region, where the negro prefers to be a trader, rather than an agriculturist, the labour problem has still to be solved. In some parts American and Egyptian plants can be acclimatised, in other places it will be necessary to breed the indigenous varieties up to a much higher state of productiveness. In certain regions white labour may to some extent be possible, in others reliance must be placed upon the native cultivator. We are unable, however, to find any sufficient reason for believing that America has natural advantages over Africa for the growth of cotton; once thoroughly established in the latter country it may expand rapidly.

That a triumph is assured to the British Cotton-Growing Association it would be premature to foretell. Dangers thron the path to success, and many are peculiarly insidious because they originate in human nature. When the first enthusiasm of the new Colonial cotton-growers is over some slackness will inevitably supervene. Again, a movement of this kind has usually initial force greatly in excess of the strength which it will be able to exert continuously in the future; there is fear, therefore, of plans being laid down on a scale incommensurate with its future powers. And for a long time assistance and encouragement will be required by the new cultivators, if not unintermittently, at any rate on occasions which the Association must be quick to recognise and deal with. Lessons may be gleaned from the history of the Cotton Supply Association, which was instituted some fifty years ago, namely, in April, 1857. Originating, according to its fifth report, "in the prospective fears of a portion of the trade that some dire calamity must inevitably, sooner or later, overtake the cotton manufacture of Lancashire, whose vast superstructure had so long rested upon the treacherous foundation of restricted slave labour as the main source of supply for its raw material,"¹ its aims were stated to be:—"To afford information to every country capable of producing cotton, both by the diffusion of printed directions for its cultivation, and sending competent teachers of cotton planting and cleaning, and by direct communication with Christian missionaries, whose aid and co-operation it solicits; to supply, gratuitously in the first instance, the best seeds to natives in every part of the world who are willing to receive them; to give prizes for the extended cultivation of cotton; and to lend gins and improved machines for cleaning and preparing cotton." Extension and improvement of the Indian

¹ The Association published a weekly paper known as *The Cotton Supply Reporter*.

crop were brought about, but to this result the high prices consequent upon the American Civil War enormously contributed. After the recovery of cultivation in the Southern States of America the Association passed rapidly through obscurity to extinction. To-day it would be difficult to point to any surviving effects. Much the same had been the ultimate outcome of the efforts put forth by the English Government when pressed to take action to bring about the introduction of cotton to new districts a few years before the formation of the Cotton Supply Association. It was reported by a Mr. Clegg that, in the course of a tour through the Eastern countries bordering on the Mediterranean undertaken by him in 1855, he had found none of the gins presented by the British Government at work, or even workable.

But we have no intention of making the final note of this article pessimistic. The magnificent outcome of the efforts of Mehemet Ali and Jumel in Egypt, with little capital and less enthusiasm to work upon, encourages one to trust that the hopes of the British Cotton-Growing Association may not be in vain. The artificiality of the scheme is not a sure index of ultimate failure. New industries will not invariably be undertaken in places appropriate for them without the active intervention of an association of interested parties, for capital may be lacking, custom may be strong, information may be scanty, and initiative may be weak, especially among semi-barbarous races; high prices working upon self-interest do not invariably call forth a sufficiency of enterprise.

The advantages looked for from the work of the Cotton Supply Association vary with the wishes and faith of its supporters. There are not wanting those who nourish the hope that it may somehow correct most of the troubles which beset the Lancashire industry to-day: gambling in cotton, high prices, and unsteadiness of prices are to be swept away. But most of its advocates of weight would probably agree to the more modest programme of advantages indicated below. First, greater elasticity of supply may be caused. It is probably easier to extend the area under cotton rapidly when it is raised in many places in proximity to other crops than when the bulk of it is obtained from a few highly specialised districts, and possibly the advantages of specialism may be retained and yet the elasticity of supply be enhanced. Secondly, greater stability of crop in proportion to area cultivated may reasonably be hoped for. The eggs are now too much in one basket, and local disease, bad weather, or some other mis-

fortune may diminish by serious percentages the supplies which cultivators intended to raise. Were there numerous important centres the bad luck of one would be more adequately offset by the good fortune of another. Thirdly, desirable variations in the raw material might conceivably result from the introduction of cotton to places in the globe where previously it was unknown or little regarded. And, finally, the countries to which cotton-growing is carried should find their prosperity enhanced.

S. J. CHAPMAN

J. McFARLANE

LABOUR EXCHANGES AND THE UNEMPLOYED.

I.

By section 1, sub-section 4, of the Unemployed Workmen Act, 1905, any Central Body established under the Act, or any Distress Committee having the powers of a Central Body, is empowered to aid the efforts of subordinate Distress Committees, or of itself, "by establishing, taking over, or assisting labour exchanges and employment registers." By virtue of sub-section 6, expenditure on these objects can be met out of the fund which—to the extent of a halfpenny in the pound—may be raised from the rates. At the end of last March the Central (Unemployed) Body for London decided to exercise its powers, in order to set up a complete system of co-ordinated "Employment Exchanges" (a title inherited from the London Unemployed Fund of the preceding year) in the London County area. At that time there were in existence ten Labour Bureaux—Chelsea, Finsbury, Hammersmith, Hampstead, Islington, Kensington, Lewisham, Poplar, St. Pancras, and Westminster—maintained under the power given to Metropolitan Borough Councils by the Labour Bureaux (London) Act, 1902. Since then all these Bureaux, with the exception of the last, have, by transference from the respective authorities, become Employment Exchanges under the Central Body, the latter taking over the existing staffs, but being compelled in all cases save two to provide fresh office accommodation. In addition, sixteen new Exchanges have been established, each serving a single metropolitan borough, except where, as in regard to Hackney and Stoke Newington, and Finsbury and Holborn, it was thought feasible to combine two boroughs for the purpose. Finally, the local Exchanges are connected and co-ordinated by a Central Employment Exchange which, besides being the general controlling office for the whole system, acts as a clearing-house, receiving daily returns of workpeople and vacancies registered in every part of London. The staff at each Exchange consists of a superintendent (receiving, as a rule, £104 or £130 a year) and a junior, the specific duties of the former including the regular approaching of employers by letter and

personal call to make known the facilities offered. All classes of employees—except indoor domestic servants—may register: women at different hours from men. Registrations hold good for a week—that is to say, the “live register” of the Exchange consists always of the record cards of those who have registered or renewed registration within the past six working days. “Dead” cards are filed for reference. The whole system is, in respect of officers, staff, and management, absolutely distinct from and additional to the organisation of Metropolitan Distress Committees for the selection of unemployed applicants for relief work. The estimated running expenses of twenty-five local and one central Exchange are £9,725 for the first complete year, but this total is not likely to be reached at present. The system is under the control of the Central Body acting through its Employment Exchanges Committee, but it is proposed to form for each Exchange a local advisory committee, including representatives of employers and employed.

Owing to the inevitable delays of negotiation with other local authorities and the intervention of the summer holidays, no serious work was accomplished before the month of September, only two of the Bureaux taken over proving to have any substantial “goodwill,” or more than a shadowy existence. The following table gives the general facts as to the working of the Exchanges since then:—

Month of four weeks (except November).	No. on Live Register at end of month.	No. of Situations notified.			No. of Situations filled.		
		Males.	Females.	Total.	Males.	Females.	Total.
September	3,923	—	—	—	—	—	343
October	6,388	758	364	1,122	603	120	723
November (five weeks)	6,083	—	—	—	—	—	1,355
December	1,337	1,022	500	1,522	708	158	866
January	10,338	1,154	1,105	2,259	987	380	1,367

In addition, 331 men not included in these returns were sent temporarily to the Post Office to meet Christmas pressure.

Except for the disorganisation due to Christmas—when the exchanges were closed for one week, and very inactive for the best part of another—these figures show a steady increase of business. The class of labour placed in situations at present is mainly neither quite unskilled nor highly skilled, though it includes some from both extremes. Of the former, employers can get as many as they want out of the street; the latter have to some extent their own organisations.¹

¹ Considerations of space alone, if there were no other reason, would compel the present paper to deal with the principle rather than with the practice of Labour

II.

Such is the organisation established in London within the past six months. Its obvious intention is to bring into more immediate communication employers seeking workmen and workmen seeking employers—to make the supply of labour more fluid, to focus and organise the demand. What relation does such a function bear to the problem of distress through want of employment? What can even the most thorough performance of this function contribute to the solution of a difficulty occasioned apparently by the fact that there is too great a supply of labour in the market rather than by its insufficient fluidity? In order to answer this question, it is necessary to go behind the phenomena of unemployment and to state, however shortly, certain conclusions as to its industrial causes. The general problem splits itself at once into at least three, not only distinct, but dissimilar.

First and most familiar is the problem of the transformation of conditions in particular trades—introduction of machinery, transference from one locality to another, actual diminution in the volume or importance of the trade. Second come periodic fluctuations of industrial activity. These are themselves of two well-marked types. There are seasonal variations, accomplished in a period of a year; of these the alternations of slackness and activity occasioned by climate or social arrangements in such trades as building and printing are leading instances. There is a cyclical movement of industrial expansion and contraction, accomplished in a period of seven to ten or more years, and producing those recurrent crises of distress whose dates—to take only recent history—are marked by the Mansion House Relief Funds of 1860, 1886, 1904-5, by a variety of special funds in 1866, by the stoneyard experiments and the Select Committee of 1894-5. The third problem may, pending fuller statement, be described as the overstocking of the labour market by the unorganised demand of individual employers for workmen, and the consequent chronic under-employment of a varying proportion of those engaged in each industry. It is on this, as at once the least understood and the most important of the three problems, that attention needs to be concentrated and will be

Exchanges. The extremely important practical questions of the extent to which the function of Exchanges is already performed by trade union unemployed registries, and of the relations between these and any new municipal system are not forgotten, but of necessity omitted.

concentrated in the following pages. The first two—transformations of industrial conditions, and fluctuations, seasonal and cyclical, of industrial activity—have been mentioned, partly to show that they have not been overlooked, partly to emphasise the view that profitable analysis of the unemployed problem must be directed to a classification, not of distressed individuals, but of industrial mal-adjustments. Any unemployed individual may illustrate the concurrence of two or more factors. The distress of the London riverside labourer, for instance, is primarily due to the third type of industrial dislocation; he is chronically under-employed in a totally unorganised and, therefore, greatly overstocked labour market. But he may, in his time and place, be suffering also from seasonal depression of his occupation, as in the month of August or after a wool sale; from cyclical depression of commercial activity, as in the years 1904-5; and from a transformation of industrial conditions, such as is the gradual movement of Thames shipping from the upper to the lower, newer, and larger docks.

On its relief side, the Unemployed Workmen Act was clearly intended to deal with one alone of these three causes of unemployment, and with only part of that. Only those thrown out of work by a cyclical depression of trade from which recovery may be expected come fairly within the words of the second section as men temporarily unable to obtain work through exceptional causes over which they have no control. Only on such men could it be supposed that relief employment for a period not exceeding sixteen weeks, and not to be renewed in more than two successive years, could confer any substantial benefit. Seasonal variations produce temporary unemployment, but are not "exceptional causes." The introduction of machinery, and similar industrial transformations, are, in regard to any one trade, "exceptional causes," but the loss of employment that they involve is in itself permanent, not temporary. The under-employment resulting from casual engagement in an overstocked labour market gives rise to distress which is neither temporary nor exceptional. Yet it is almost wholly with such distress that the authorities constituted by the Unemployed Workmen Act are in London at least being compelled to deal. The prevailing impression produced by the study of the record papers, alike of those registered and of those recommended for assistance, is that of a standing army of men unable to command regular work, but constantly obtaining and losing again temporary jobs, become or becoming incapable of continuous exertion and steady

habits, dragging with them, through disastrous alternations of extravagance and privation, families which, in the lowest stage, come to look to the titular wage-earner only for occasional wind-falls and for subsistence to the ill-paid drudgery of mother and elder children, or to the unceasing charities of church and chapel, mission-hall and elementary school. How did this class come into existence? What part, if any, does it play in the economy of society? How can it be abolished?

It is necessary to be clear at the outset that this class does at present play a part in the industrial system. Its members are not "unemployable," since they repeatedly obtain employment, and they are not functionless in the State, since there is an occasional demand for their services. The class is an economic phenomenon; it has to be discussed as a resultant of economic demand and supply. The demand in this case is clearly that of individual employers for a readily available reserve of labour to meet sudden expansions and contractions in the volume of their businesses. The trades upon which these men depend are predominantly those in which the volume of the individual employer's business varies most and most irregularly from day to day or month to month. The main sources of the supply to this demand can be indicated with equal clearness. Some of the irregular labourers of to-day are men whom industrial transformations have forced from their chosen occupations. Others have never chosen an occupation; slipping into some uneducative "blind-alley" employment as messengers or van-boys at fourteen, they have found themselves resourceless and next door to useless at twenty. For others a temporary difficulty due to depression of trade, to personal misfortune, or to personal fault, has been the occasion of a first resort and subsequent habituation to casual labour as a livelihood. Speaking quite generally, it may be said that casual labour is a residuary occupation for those who have failed and those who have never fairly started in life, a refuge for those in whom all ordinary standards of comfort and security have been broken by misfortune. From this class individuals may be rescued or may rise. The class, as a whole, with the chronic poverty which it represents, cannot be abolished or transformed except by cutting off either the sources of supply or the demand to which it is adjusted. Is it, then, possible to cut off the supply of men to the casual labour market? Something may be done to divert boys from uneducative to educative employment, to mitigate the hardships of industrial transitions, to lessen the general pressure of competition in the towns by

making the country less repellent to the countryman. But from the description already given of casual labour as a residuary occupation for the unfortunate, it is clear that any general stoppage of the supply of casual labourers is utterly impracticable. To put an end to all the ways by which men fall into misfortune must be the last step, not one of the first steps, in the destruction of poverty. Moreover, if it were possible to cut off or seriously to diminish the supply of casual labourers, stoppage of the industries now dependent upon their services could in that case only be avoided by a reformation in the conditions of employment, making it no longer casual and degraded. Diminution of the supply of casual labour would be at best an indirect way of forcing a modification of the employers' demand for casual labour. It is, therefore, to modification of this demand that attention must ultimately be directed.

Is it possible to abolish or to modify the demand for casual labour? At first sight this line of attack appears at least as desperate as that upon the sources of supply. Casual labour, it may be said, is necessary because the amount of work to be done is variable; because tides, weather, and seasons are in the scheme of things; because no man or body of men can foretell, far less regulate, the incalculably changing needs of millions of individual consumers. The nature of employment in any occupation appears to depend, in respect of regularity or irregularity, upon external ungovernable conditions of demand. This objection calls for a fundamental distinction, in the business of each individual employer, between those fluctuations of work which are general in character, affecting his and all similar undertakings simultaneously (as winter affects building or the summer holidays affect certain branches of printing), and those which are peculiar to his own undertaking (depending upon the idiosyncrasies of his usual customers or upon his success or failure to obtain particular contracts). So long as attention is confined to the first sort, it does appear that both the extent and the character of the labour supply required in any particular occupation depends almost entirely upon external conditions, upon the mass and flow of work demanded of that industry by the society of consumers; this sort of fluctuations are just the seasonal or cyclical fluctuations which it is for the present desirable to disregard. So soon, however, as attention is directed to the second sort of fluctuations, it becomes clear that *the extent of the labour supply required in any occupation is a function not only of the aggregate mass and flow of work, but also of its own fluidity.*

This is the fundamental principle underlying the use of the Labour Exchange. It can be best explained by a single abstract illustration. Imagine two similar undertakings—say two riverside wharves—each employing from day to day through the year from fifty to a hundred men. If their business were affected only by causes common to both, it would vary at each wharf simultaneously; on some one slackest day the number employed at the two together would drop to a hundred; on some other day it would rise to two hundred. No question of the movement of labour between the two wharves would or could arise. Suppose, however, as must inevitably be the case, that work at each wharf was to some extent at least affected by causes peculiar to it, so that one was busy while the other was slack, so that, for instance, the number employed on any one day by the two together never fell below 120 nor rose above 180. The question of the movement of labour between the two wharves would at once become important. If they were separated by an impassable barrier, so that no individual labourer could work in turn at both, then since each required on occasion as many as 100 men at once, the two together would still call on the services, constant or occasional, of as many as 200 individuals. If, on the other hand, the two wharves were in such close connection as to use practically a common supply of labour, exactly the same mass and flow of work would require only 180 individuals. Such connection might be obtained, without immediate physical contiguity and without any amalgamation of the two businesses, by their simply sending to a common centre or Exchange for their irregular hands. It might, then, be said that as between the two wharves the supply of labour was perfectly fluid, or, from another point of view, that the fluctuating and hitherto separate demands of the two employers had been combined into a joint demand focussed at the Exchange. Without any change of the external conditions, *i.e.*, for the same mass and flow of work to be done, the demand for labour represented by the two wharves 100 to 200, but as a joint demand varying from 120 to 180. Twenty of the original 200 individuals would find that there was no longer even the most occasional need for their services; upon 180 would be concentrated the work and the earnings of the 200. It is hardly necessary to argue at any length that such a change would be an improvement, notwithstanding the temporary hardship to the extruded twenty. In a country which is not over-populated, *i.e.*, in which there are, somewhere or

other, openings for additional labour, the twenty will be re-absorbed by the aid of the very Exchanges which cause their extrusion. In a country which is over-populated, it is a matter of vital importance to replace 200 potential fathers of families by 180, *plus* twenty men who will have to be emigrated. On any view of society one man at a living wage is more desirable than two half-starved.

It is of more importance to argue that the illustration just given is of almost universal significance. The principle which it inculcates, whether described as that of organising the separate demands of individual employers for labour into a single joint demand or as that of increasing the fluidity of the supply, is in varying degrees applicable to every industry and to almost every range of employment. This extension of the argument follows two distinct or at least distinguishable lines.

The first is a natural or direct continuation of the line by which the present point was reached. How, it was asked, can the casual labouring class—the despair of relief committees—be abolished? Only, it was answered, by transforming the demand by meeting which they live miserably into one for more regular employees; the potential supply is inexhaustible. The essence of this transformation, moreover, must be the combination of the labour demands of separate similar businesses into a single joint demand in which independent opposite fluctuations may neutralise one another. Such a transformation has since 1891 been carried out in the employment offered by the London and India Docks Company. Formerly each of the forty-seven departments of the company's work was a separate unit for the engagement of men; each department had its insignificant nucleus of regular hands, and its attendant crowd of more or less loosely attached casuals; eighty per cent. of the work was done by irregular labour. Now the whole dock system is, so far as the company's work goes, the unit for the engagement of men; eighty per cent. of the work is done by a unified staff of weekly servants directed from one spot to another by a central office. By simple co-operation between its different departments, the company has substantially decreased the possibilities of getting casual employment and the demand for casual, as opposed to responsible regular labourers. The application of the principle involved in this change to every industry conducted mainly by casual labour and to the fringe of irregular employment to be found in practically every industry is the only remedy consistent with the continuance of private enterprise for the most urgent and perplexing

part of the unemployed problem. It requires in the typical casual occupations the more or less deliberate co-operation of groups of employers in using for their irregular work a common supply of labour centralised at an Exchange. It requires the tacit co-operation of all employers in abandoning the practice of taking men on casually from the streets or the public-houses or each at his own gates. Men obtained through the Exchange will in respect of each individual employer remain as casual as before; in respect of the Exchange itself, representing the joint demand of many employers, they may be organised into a staff with comparative continuity of employment. It is unnecessary to argue that this can be done completely. Whatever can be done in this direction is so much to the good, is a step towards abolishing the under-employed class by abolishing the opportunities for under-employment, *i.e.*, for casual employment having no reference to past or future. So long as the unorganised demand of hundreds of employers, large and small, for irregular hands continues, so long will it seize upon all the temporarily distressed in the country, and out of them fashion the unorganised ubiquitous supply of casual labourers which is its counterpart. The present line of argument leads, indeed, to a perception of a mass of chronic poverty indicating not so much want of employment as a bad form of employment. It shows, resulting from almost universal carelessness (for all are in various degrees employers of casual labour), a social disease—"under-employment"—of the same positive character as sweating or as artificial pauperism. Sweating implies a rate of wages sufficient to induce people of low standards to try to live by it, but insufficient to maintain them or their dependents properly. Under-employment implies a perhaps daily chance of work sufficient to attract men of low standards or irregular habits, but insufficient—even with a high nominal rate of wages—to yield actual average earnings above starvation point. Under-employment is the subtler evil, and, therefore, most likely to be misunderstood and aggravated by mistaken treatment, as it is now being aggravated by subsidies from charity, from the Poor Law and from Distress Committees. It is at the same time the evil which, once understood, can be cured with least opposition, for it is as harmful to employers in leading to irresponsible and inefficient service as it is to the employees and to the community.

Along the first line of development the argument has moved from a study of distress to a definition of casual employment as its cause. The general theme of the overstocking of the labour

market has been narrowed to its acute manifestations in occupations at once highly irregular and comparatively low-skilled and ill-paid. The casual waterside labourer has been constantly in view. The same theme has now to be considered in a perfectly general way, with reference to all occupations skilled or unskilled, regular or irregular, prosperous or miserable. The same want of organisation for adjusting labour supply and demand will be treated as the cause less of distress than of waste of labour power, whether involving distress or not. The same remedy will be described from another point of view.

What happens when in any town A some particular industry expands so that the demand for labour begins to outrun the supply? The demand will either be met by the migration of men already in the trade from other places where employment of that class is slack, or it will tend in A itself to attract fresh people into the trade—to hasten the promotion of learners and apprentices to adult work and wages, to make mechanics at need out of semi-skilled assistants and labourers, to cause a transference from cognate but less desirable occupations. In other words, just to the extent that a demand at A is not felt outside A, just to the extent that the labour supply is not fluid between A and other places, will result the entry of fresh people into a trade at A, while fully qualified workmen in the same trade are unemployed in half a dozen other towns. The labour market of that trade will, in respect to its total needs, become overstocked.

The argument here presented is of universal application. The supply of labour attracted into any trade or district bears to the corresponding demand for labour a relation directly dependent upon the extent to which industrial conditions in that trade or district approach an ideal in which perfect fluidity of the supply is combined with complete unification of the demand. The attainment of that ideal in any particular case would secure the exhaustion of the existing labour supply before any fresh supply was introduced. It would, so to speak, give the men already in a trade or district, as against those outside it, the first call upon any work which they were competent to perform. Suppose, for instance, that this ideal were realised in regard to carmen in Poplar, *i.e.*, that all Poplar carmen, so soon as they were unemployed, registered themselves at one known office (perfect fluidity of supply) to which also all employers sent so soon as they required a carman (complete unification of demand). It is obvious that no man from Bethnal Green or West Ham would

get a carman's job in Poplar so long as any equally competent Poplar man was unemployed. It is obvious that in the absence of any such organisation a Poplar employer may take on a Bethnal Green man who comes to him casually through the streets, and then have to pay rates to support the Poplar man in the workhouse. The illustration given is deliberately parochial.¹ The result of organising the labour market by universal labour exchanges would be, and its objects should be, to give a measure of protection to those already in any trade or district as against the potential competition of those outside it. This protective tendency is a paradoxical but essential consequence of increasing the mobility of the workman. On the other hand, the linking up the various local Exchanges would more than anything else secure that so soon as there was not in Poplar any competent unemployed carman, one could be obtained from Bethnal Green or elsewhere.

The present discussion started with the question: What can any organisation for making the supply of labour more fluid contribute to the solution of a difficulty occasioned apparently not by the fact that the supply is insufficiently mobile, but that it is excessive? The general answer can now be given that the supply of labour in every occupation is excessive just because it is insufficiently mobile. The modern workman has all through life two distinct functions—that of labouring, and that of finding a market for his labour. The less time he is compelled to devote to the second of these functions, the more he has for the first of them. He can produce and earn more, the less the time and energy he has to devote to finding opportunities for producing and earning. To increase the mobility of the labourer is, therefore, to increase his average working efficiency—in other words, to decrease the number of individuals between whom any given amount of work is distributed. The attainment of the maximum of mobility depends upon the universal application of the principle of the Labour Exchange—that for every trade or administrative area there should be offices to which all men seeking employers and all employers seeking men should

¹ For "Poplar" read "London": an efficient system of Exchanges by causing the London labour supply to be exhausted before there is room for the countryman, must diminish the attractiveness of the towns, and exert some influence—great or small—against the twin evils of urban congestion and rural depopulation. For "Poplar carmen" read "all carmen": the protection of those in a trade against excessive recruiting of it as the result of purely local developments, must exert some influence—great or small—against the premature displacement of the middle-aged by the young.

invariably and at once resort, and that all these offices should be in continual communication. Statically considered, the effect would be in any given occupation, volume of work, and all other conditions, remaining the same, a smaller number of men employed, but more continuous employment. Dynamically considered, the effect would be to secure the recruiting of each trade in accordance with its real growth, and not in response to local or sporadic developments. The unification of the labour market in each trade would be a step towards giving to employment in that trade as a whole the stability and the orderly progression which characterises employment in a single large undertaking.

III.

What, however, has this rather large talk of organising the labour market to do with the work actually performed by the Metropolitan Employment Exchanges? Little enough perhaps at present. The unmistakable vitality and growth of the new Exchanges is satisfactory testimony to what can be done merely by exercising care in the selection of superintendents, and by keeping their management free from some of the grosser errors that have ruined previous efforts in the same direction. To fill over 1,400 places in about the third month of effective working is a good beginning, but in reference to what has to be done it is no more than a drop in the ocean, and it represents not even a beginning with the most urgent part of the problem.

That only amounts to saying that the Central Body has embarked on a very large undertaking, too large, perhaps, for its powers, destined, perhaps, to prove beyond the powers of any system of voluntary Exchanges. The present experiment may fail of inherent weakness, or may be wrecked by mistaken opposition. It will simply need to be followed by a fresh effort directed to the same object, however different the line of approach or the authority in charge. The community has to choose between organising the labour market so as to dispense with the acuter forms of casual employment and giving up the problem of the unemployed. For any public authority appointed to deal with that problem, and taking the duty seriously, the attempt now being made by the Central Body is a matter not of choice, but of necessity.

"Decasualisation" is not merely the only remedy, and, within the limits of a competitive industrial system, a radical remedy for that one element in the unemployed problem which

has been described as chronic under-employment. It is the indispensable preliminary to any secure dealing with the other factors in the problem; it is that permanent re-construction of conditions in the lowest grades of industry which is needed to give scope or value to most of the other remedies proposed. What are these remedies? They may be classified as remedies of permanent removal, of temporary assistance, of individual improvement.

The theory underlying remedies of permanent removal—emigration, home colonisation, afforestation, and all opening of new industries—is that the unemployed are surplus population. "Remove the surplus, and all will be well." At particular places and times there undoubtedly are surplus labourers in need of simple removal, and emigration in particular offers an extremely useful safety valve. But, as regards the commonest cause of occasional surplusage—temporary trade depression—the device of removal is neither appropriate nor final. It is not appropriate, because trade will recover from the temporary depression, and the men who have been removed will be missed later. And it is not final, because trade recovery will be followed in due course by trade depression, and there will again and again *ad infinitum* be a temporary surplus calling for removal. Moreover, the gist of the unemployed problem is not surplusage of population. A really superfluous man, *i.e.*, a man not wanted at all, finds himself in the workhouse at once. The unemployed problem lingers mainly because it is a matter of labourers, not superfluous, but in reserve, getting too little work, yet still some work, having a place in industry, not no place, so that their removal would leave place and demand for another. There are too many general labourers in London, but their excess shows itself in the partial idleness of many, rather than in the complete idleness of a few. When this over-wide distribution of work has been amended, as it is the function of an Exchange to amend it, there will result as a correlative to the more continuous employment of some the total unemployment of others; part of the reserve of labour will have been converted into a temporary surplus, which it will then be useful and necessary to remove by emigration, home colonisation, or whatever else may seem practicable. Till then the remedies of removal will be draining a reservoir that fills again automatically.

Noctes atque dies patet atri janua Ditis. The line expresses accurately alike the method and the character of casual employment.

The theory underlying remedies of temporary assistance is that special industries or all industries are subject to periodic fluctuations, whose effect is to throw out of work men hitherto in good employment and likely to be in demand again when the depression passes. Temporary assistance—in the way of relief work or allowances—if it serves to catch these men as they fall idle, and tide them over till they recover employment, may therefore accomplish permanent good. It may prevent passing distress from resulting in lifelong demoralisation. All that is required is first to ascertain by investigation that the men helped have hitherto been in good employment, so that they are likely to be in it again; second, to make relief work, while free from degrading conditions, less attractive than ordinary work, so as to put pressure on them to leave at the first opportunity. This theory, which appears to be mainly responsible for the Unemployed Workmen Act, is all right as a theory. The trade union returns are unimpeachable statistical evidence of periodic fluctuations in employment. The practice founded on the theory is futile and deplorable, because at present exceptional depression shows itself almost entirely in giving a slightly harder time to the chronic under-employed, rather than in throwing out men hitherto of good industrial character. Investigation breaks down because nearly all the applicants are of the under-employed, characterless type. Deterrence without the pauper stigma breaks down because it is humanly impossible to make relief-work less attractive than the ordinary life of a general labourer without making it inadequate as relief. "Tiding over" breaks down partly because trade depression is a matter of years rather than months, still more because there is no further shore to which the bulk of the applicants can be tided over. They cannot be expected to "return" to good employment when that is a thing which they have never, or never within recent years, enjoyed. They simply go back to the docks or the Distress Committee office if that is still open.

The theory underlying remedies of individual improvement is that the unemployed problem is mainly one of individual character. The influence of personal character is undeniable and all-pervasive. What, however, makes character? The great bulk of those with whom unemployed authorities have to deal appear materially or morally incapable of effective foresight for themselves or their children, of more than a hand-to-mouth existence, of more than spasmodic thriftiness. They cannot in the mass—for an individual here and there anything is possible—

escape, the influence of their conditions of employment, and the most certain effect of casual employment—making idleness, slovenliness, and irresponsibility easy and tempting—is just that instability of character which is the despair of relief committees and trade union organisers: The manufacturer puts by reserves, averaging his profits over good and bad times; the skilled trade unionist really does the same when he subscribes while earning to obtain unemployed benefit when he cannot earn. It is arguable that a sufficient remedy for the difficulties of periodic trade depression is to be found in the spread of this practice: in universal trade unionism able at once to provide the machinery of insurance against unemployment and to secure in each occupation a wage permitting of insurance. Unfortunately, the conditions for the application of this remedy do not exist at present. Casual employment produces a class of casual labourers upon which trade unionism and friendly societies get no hold. The reform of casual employment is to be regarded, not as the alternative to self-help, individual or associated, but as the necessary preliminary to its further development.

The Unemployed Workmen Act has now been on trial for two winters. The attitude of nearly all those engaged in its administration may fairly be described as one of growing hopelessness. Those who see anything of what they are doing at all see that they are applying trumpery palliatives to a chronic disease. Hence one section argues for doing less in the way of providing employment; another section argues for doing more. The present paper is a plea for beginning by doing something entirely different. The organisation of the labour market will not make more work or diminish the existing population. Its temporary effect, in a labour market long disorganised and overcharged, will be to concentrate work on some so as to create a temporary surplus completely without employment, and needing perhaps deliberate removal by emigration or otherwise. Its permanent effect will be to reconstruct and improve the whole conditions of employment, above all in the lower ranges of industry. Its aim is to rule out the possibility of living by casual labour, by making all labour reasonably continuous under an associated group of employers where it cannot be so under one employer. As such it may appeal to many interests and to many schools of thought. It benefits the workman—by greater continuity of employment—and the employer—by the prospect of better and more responsible service. It is at one and the same time an extension into the industrial sphere of the Charity Organisation

principle against casual relief, and a development of the trade union principle that one man at a living wage is better than two at half wages. It is socialistic because it is a piece of that organisation of industry in regard to which academic Socialism—national ownership of the means of production—is only the means to an end. It is individualistic because, by diminishing the chances of the labour market, it gives more decisive influence to individual merit. If it cannot appeal to any one school or one interest against another; it can appeal to all against their common foe—wasteful want of thought and organisation.

W. H. BEVERIDGE

REVIEWS

The Nature of Capital and Income. By IRVING FISHER, Ph.D.
(New York : Macmillan Co., 1906.)

THE importance and the difficulty of the subject, no less than the ability of the author, render this book one of the highest interest and value. The views expressed are by no means orthodox, and are, at first sight, of a rather surprising nature. Dr. Irving Fisher will probably shock the business man as much as the economist. The basis of his views can be put in two sentences : " A stock of wealth existing at a moment of time is called capital. A flow of services through a period of time is called income." Wealth is defined to include all those parts of the material universe which have been appropriated to the uses of mankind. According to this definition, wealth includes man, and as a concession the author admits a definition of wealth (in its more restricted sense) as meaning " Material objects owned by man and external to the owner." From a logical point of view these definitions are no doubt convenient, but difficulties, though they may be avoided, cannot be solved by a convenient choice of definition. This appears to be the vulnerable point of Dr. Fisher's book ; no doubt he clears the ground ; he gets rid of many common confusions, he does not fall into many errors which come from confounding capital and income. But before discussing special points in greater detail it will be proper, in order to avoid any misrepresentation, to give the author's summary of his position in his actual words :—

" To describe in a few words the nature of capital and income, we may say that those parts of the material universe which at any time are under the dominion of man constitute his capital wealth ; its ownership, his capital property ; its value, his capital value ; its desirability, his subjective capital. But capital in any of these senses stands for anticipated income, which consists of a stream of services, or its value. When values are considered, the causal relation is not from capital to income, but from income to capital ;

not from present to future, but from future to present; in other words, the value of capital is the discounted value of the expected income. The fluctuations of this capital value will, chance aside, be equal and opposite to the deviations of "income" from "earnings," whereas, when the influence of chance is included, there will be, in addition to these fluctuations, still others which mirror the successive changes in the outlook for future income" (p. 328).

The important questions are those concerned with capital, value, and income value, and in particular the relation of these two to one another. The practical form in which the questions arise are most usually: (1) how is any given valuation to be made; (2) what items should be included in capital accounts, what in profit and loss, or income accounts? No doubt a capital account is primarily a record of the relations existing at any given time between assets and liabilities. Thus the capital account of a business on January 1st, 1907, should state the value of the assets and the amount of the liabilities. Generally, there is not much difficulty about the liabilities; some businesses (that of life insurance, for instance) have to value their liabilities by actuarial methods, but this is because the contracts under which the liabilities arise are of a rather special character, namely, to pay sums of money at times which are not certain, but which are determined in relation to the lives of human beings; but the majority of business contracts involve a liability to pay money or deliver goods at a time which is fixed or nearly so, and which is not remote. But the valuation of assets is a very different matter; their value depends upon how they are regarded; a stock of raw material may be valued at cost price, or at the current market price, or at what it would fetch on a forced sale, or in many other ways. Most of the valuations on the assets side of the account are very arbitrary; business men, accountants, and theorists may all differ to almost any extent, and yet the correctness of a capital account, or, rather, the correctness of the view expressed by the capital account, depends upon the correctness of the principles upon which the valuation of the separate items are based. It is this which is the practical difficulty. On what principles should valuations of assets be made? Assets, we are told, represent the value of future expectations. No doubt; but this does not answer the question; it merely transforms it into "How should future expectations be valued?" Whose expectations? Those of the owners of the assets? or is the valuer to form his own expectations? on what should he base such expectations? Is there a true value, which

could be ascertained ultimately in the light of what actually happens in the future? or is there no true value, no ideal mark, for the valuer to aim at? Such difficulties are not touched by any rules as to the proper method of keeping capital accounts.

Income accounts present other difficulties; once grant that income and outgo consist of services and disservices, then in theory an income account can be kept. But no one would, in fact, keep income accounts to show the income value of all services. The doctrine, that which is here put forward, that a corporation, as an entity distinct from its stockholders, cannot enjoy income or suffer outgo appears, at first sight, sufficiently startling, and can hardly be considered correct from a legal point of view. Such a proposition in substance assumes that stockholders have a right to have all profits distributed as dividends. The problem of income (in the sense of income value, not income services) is to determine what is meant by net income over a period of time.

A common case in which it arises is to determine what should be accounted income for the purposes of an income-tax. This is discussed with ingenuity and logic in Chapter 14, but the result is so different from the plain man's view that serious difficulty would probably be caused if a State attempted to levy an income-tax in accordance with the results of this logical theory. As a practical question, we are still stumbling over the difficulties of distinguishing between a permanent and precarious, or unearned or earned income, as the recent report of the House of Commons' Committee shows.

Passing from these difficulties we may consider the relation of capital to income. Since either may be measured in quantity or value, we get four forms of ratio, which are respectively called by Dr. Fisher physical productivity (quantity of services per unit of time to quantity of capital), value productivity (value of income from capital to quantity of capital), physical return (quantity of services rendered by capital to the quantity of capital), value return (value of services to the value of the capital yielding them). If the income is perpetual and flows uniformly, this value return is the ratio of interest. Rate of interest may be considered as the price of capital, or the premium by which the value of present goods exceeds those of future goods. Dr. Fisher's consideration of this, and his working out of the mathematical relations between the rates of interest considered as a premium and as a price is very clear, and should help to dispel many common confusions. In truth, the important series of mathematical appendices, though of little interest to actuaries, will probably be

held by many readers to be the most valuable part of this important book. The author's views on the difficult subject of probability are of more doubtful value, but whose views are of value? Is it true that if a penny is tossed up and comes down heads the chance of its coming down heads if tossed a second time is one-half?

To sum up: this book is worthy of its author; it will add to the very high esteem in which he is held by economists; it will compel a great deal of clear thinking on a most difficult subject, and from a theoretical and logical point of view demands the highest praise; the lawyer, the accountant, perhaps also the psychologist and the philosopher, will perhaps be inclined to criticise such facts as are concerned with their respective subjects. Some economists will feel that their difficulties have been made clearer, even if they have not been resolved; others will feel that many of their difficulties have been resolved by Dr. Irving Fisher's logic. All must admire the scientific temper and sincere love of truth which has inspired this book.

C. P. SANGER

The Principles of Money and Banking. By CHARLES A. CONANT.
(London: Harper and Brothers, 1905. 2 vols.)

MR. CONANT, who has achieved a limited immortality from having given his name to a coin in the Philippines, is well qualified, from his great practical experience of currency questions, to write a book upon money. He is further qualified by the fact that he has studied with care the literature of money and banking, so far as it is written in English or French. Why German authorities should be boycotted it is difficult to say; perhaps the author had a prejudice against the German language, or German professors, or German officials, or the German Emperor. Probably, the first of these hypotheses is the correct one, since even in the bibliography German authorities are referred to in translations. Be this as it may, these two volumes are a careful and painstaking compilation, containing a large quantity of valuable and interesting information. It is a very safe book to put into the hands of students; there are no wild speculations; the tone is conservative. The question, "Is an ideal money attainable?" is firmly answered in the negative. The work is dedicated "to Hugh H. Hanna, whose unselfish labours have done so much to establish a sound monetary system in America, and extend it to other parts of the world." Sound money is generally a euphem-

ism for a gold standard. Probably the most powerful argument in favour of a gold standard is that it *de facto* exists in a very large part of the civilised world. Certainly monetary experiments are very risky; but now that the Republican party has abandoned bimetallicism, the Indian mints are closed to silver, Japan has a gold standard, and the Transvaal mines have an enormous annual output, it is easy to discuss monetary questions on their merits, and even to doubt whether sound money is the best thing attainable on this globe. We venture to say all this because that belief in progress which characterises and inspires so many of the citizens of the United States is inconsistent with very conservative views of money which are held by many Americans: Why should there not be progress in money as in all the material things? This, however, is our only criticism. This book was wanted; it brings the facts up to date; it traces the last stages of the triumph of the gold standard; it contains a most excellent account of the evolution of commercial banking.

The discussion of stocks and shares is naturally treated from an American rather than an English point of view; for instance, the expression "negotiable securities" is most inconvenient in English. Negotiability has a definite technical sense in which it is applied to negotiable instruments. In strict logic shares or stock are not securities. So that negotiable securities should mean those debentures which by custom are treated as negotiable, not those investments which are readily saleable. It is inconvenient that the same words should bear different meanings in the two hemispheres.

Mr. Conant renders a service by pointing out what is so frequently overlooked—that State Socialism cannot remedy those evils in production which cause crises; however evident it may be that "A remedy for existing evils in production cannot be found in State Socialism or co-operation unless the representatives of the State or the co-operative body are endowed with absolute knowledge of all elements affecting demand and supply, not only in the present, but in demand and in methods of production in the future"; yet the obvious is often overlooked, and Mr. Conant is most wise to point it out. The tendency which is now common amongst poorly educated people to regard officialdom as a cure for most evils is partly based upon an assumption of official omniscience. Much could be learnt from a comparative study of the efficacy of State banks, and such private institutions as the Bank of England; but the subject is a difficult one. Meanwhile, *The Principles of Money and Banking* should be read by all who wish a subsoil of fact from which their theories may spring.

C. P. SANGER

The Wheel of Wealth: Being a Reconstruction of the Science and Art of Political Economy on the Lines of Modern Evolution.
By JOHN BEATTIE CROZIER. (London: Longmans, Green, and Co., 1906.)

THIS lofty title is preceded by half a dozen pages of extracts from the publishers' puff book, from which it appears that Mr. Crozier has written other works on the lines of evolution, including a chapter on personal evolution and autobiography entitled *My Inner Life*. If we make the usual assumption, that the real value of the books corresponds to the nominal value of the reviews, and that we are not dealing with a case of inflated inconvertible paper, Mr. Crozier has achieved a considerable reputation: in the words of the *Dundee Courier*, Mr. Crozier's monumental work is one of the precious gifts to the literature of this generation.

In style and thought the present work is a curious *mélange* of the mannerisms of the seventeenth and the nineteenth centuries. Its political biology is reminiscent of Hobbes and his Leviathan—and Mr. Crozier's book would have gained in interest if he had put as a frontispiece a picture of his Great Wheel and his Little Wheels, just as Hobbes gave a picture of his Great Leviathan and his Little Men. If the reader wishes to know more in detail the use made by Mr. Crozier of these seventeenth century biological ideas, let him look up in the index, *Tape-Worm*, *Analogy of*, and he will be pleased to find that Adam Smith's conception of the economics of the world as a whole is represented as a gigantic Tape-Worm—the component nations being either smaller Tape-Worms or segments in the Great Tape-Worm as the texture of the argument may demand.

"How unlike," exclaims our author, "all this is to any image that can possibly be formed of industry as it exists at the present day. . . . Instead of being constructed on the type of the lowly organised worm, its true analogy is to be found only in the vertebrate kingdom, where there is neither priority of function nor gradation in the order of importance of one organ over the rest—as of heart over lungs, lungs over stomach, stomach over organs of locomotion; nor yet priority in order of time of the advent of one organ over another, for all must develop *pari passu* before any increase of growth can take place; nor yet a constitution of parts or organs all duplicates of one another and each with a semi-independence of its own, like the segments of the worm, &c., &c."

In this passage the model for the style is apparently some vague memory of the rolling alternatives of the Athanasian Creed, but

in general the style most affected is that of Herbert Spencer—and, in fact, the seventeenth century animals and images are all fitted into the formulæ of the evolution of the nineteenth.

In one respect, at least, Mr. Crozier has excelled his master, namely, in the inordinate length of his sentences: there is one sentence beginning with "But that Political Economy," and ending with "our most serious consideration," that covers two pages, and is followed by another of almost equal length beginning with "Or, to put it in general terms, &c." (p. 259-262).

To judge by the present work Mr. Crozier does not realise that the general theory of social evolution only offers at the best a terminology which may be useful in describing certain forms of development: it provides no substitute for the laborious investigation of the evidence that is necessary to trace the steps in each particular case.

In economics this terminology may be applied in two directions: provided always that the appropriate ideas and facts are used for the substance of the argument. We may trace, as in economic history, the development of various institutions: and we may apply the evolutionary terminology to the growth and decay of village communities, guilds, methods of taxation, and particular taxes, markets, systems of coinage, banking, and credit, and, indeed, wherever we have continuous growth we can, if we like, use the words which came into fashion with the "general theory of evolution." But we can, if we please, equally well express the results of our inquiries in some other terminology, and in any case no manipulation of language will dispense with one jot of the evidence. Dr. Cunningham's *Growth of English Industry and Commerce* is throughout dominated by ideas of development and decay, but the value of the work depends on the treatment of the particular evidences. Mr. Crozier apparently has never read any economic history, and, contrary to the fundamental ideas of general evolution, he seems to think that the industrial revolution was of the nature of a universal earthquake which swallowed up the past, and gave the new men with their new machines free play for another and totally different variation of general evolutionary processes. If Mr. Crozier will refer to Dr. Cunningham he will find good reasons for placing the beginning of the modern era of economic history in the reign of Elizabeth; and in any case the industrial revolution no more made a clean sweep of the past than did the French Revolution.

The other department of economic inquiry in which the terminology of evolution may be used to express the results obtained

by weighing the appropriate evidence, is in tracing the development and decay of economic theories. Here, again, however, there is no short cut to be found by following *a priori* evolutionary ideas. Mr. Crozier is so impressed with the notion that between the eighteenth and nineteenth centuries there is a great gulf fixed, that he feels obliged to show that Adam Smith is hopelessly antiquated, and as his successors have retained most of his fundamental ideas, that they also are hopelessly antiquated. Here is the conclusion in the author's own words:—

“It is my conviction that, were all the works of the orthodox economists, from Adam Smith down to the latest representatives of the academical schools, thrown over once and for all, and a fresh start made from the works of Mr. Gunton and Mr. Hobson—as in astronomy from Copernicus and Kepler—the world of nations to whom the true solution of the problems of political economy, and especially that of Free Trade and Protection, is of the most pressing and vital importance, would be the better for it” (p. 511).

All good things are three, as the Germans say, and the trio of economists is completed by the addition of Mr. Crozier himself. It is ludicrous to discover that, in spite of their agreement on fundamentals and the application of evolution and dynamics to economics, whilst Mr. Crozier fears in the Preface (p. x) that he may have “outrun the sympathy even of the hardiest and most thoroughgoing of Protectionists,” Mr. Hobson is a Free Trader, and the attitude of Mr. Gunton is indeterminate or unknown (p. 505). It almost seems as if the process of elimination would be carried two steps further, and the survivals of the fittest reduced to one.

Instead of applying evolutionary terms to describe the actual development of economic theories, Mr. Crozier's principal aim seems to be to show that in all essentials Adam Smith adopted the ideas of the physiocrats, and that there has never been any real change since—that is to say, that the evolution of economics began and ended with the physiocrats; and apparently the reason for this sudden arrestment was that the physiocrat ideas were (especially after the industrial revolution), barren and unproductive, and they were barren because in Mr. Crozier's phraseology they were statical and not dynamical.

It is not worth while, in the columns of this JOURNAL, to expose in detail the glaring inaccuracies and misconceptions of Mr. Crozier in trying to show that all the economists from Adam Smith downwards have overlooked the most simple truths, and pro-

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It is not worth while, in the columns of this JOURNAL, to expose in detail the glaring inaccuracies and misconceptions of Mr. Crozier in trying to show that all the economists from Adam Smith downwards have overlooked the most simple truths, and pro-

pounded the most glaring fallacies. One of his most frequent charges is that they have paid no attention to the consumption of wealth, but have made production the be-all and the end-all of their pseudo-science. Let Adam Smith answer for himself : " Consumption is the sole end and purpose of all production ; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. This maxim is so self-evident that it would be absurd to attempt to prove it." And Adam Smith, in summing up the merits of the physiocrats, places first their representation of the wealth of nations as consisting in the consumable goods annually reproduced by the labour of the society. That producers are also consumers, and that for the most part consumers are also producers, are common-places generally taken for granted. Similarly, that demand and supply are reciprocal, that the production of wealth is a continuous stream or flow, that with the increase of the national dividend all classes of income may rise together, are propositions that have been so frequently and clearly stated and illustrated, that their rediscovery as new by Mr. Crozier is only explicable on the assumption that, seen through the mists of general evolution, common objects take on different shapes.

In conclusion, attention may be called to the sub-title of the work as a " reconstruction of political economy." *Part I.* is, indeed, called *Reconstruction*, but it only covers about 100 out of 500 pages, and even in this part criticism preponderates. We search in vain throughout the volume for any new idea, or even new presentation of any old idea which can pretend to greater clearness or efficiency ; on the contrary, the old ideas are hidden in a cloud of words. Mr. Crozier's book may possibly prove attractive to those who still think that anything labelled evolutionary is the latest product of thought, but if the author really desires to make a serious contribution to economic science, he must first of all condescend to understand what has been done already. It may be true that from Adam Smith downwards all the labours of economists have been useless, and that Mr. Crozier has been born to set them right ; but the present volume does nothing to support so preposterous a claim. The criticism is for the most part based on imperfect reading and misconceptions, and where it happens to be valid is at least a generation behind the times ; and the reconstruction consists in the wearisome application of the fantastical analogy of a wheel. This wheel, according to the preliminary description, revolves in a medium " thick with powers of Nature of all kinds and on all hands—wind, water, soil, steam, and the

like—which it is the function of our fourth factor—[the other three being Production, Consumption, and Nature]—the powers of Man, to yoke and harness to his service, in the process of keeping the circular double-sided wheel of production and consumption a-going.” And if anyone can make out what this means without a series of pictures, he must have an imagination worthy of Blake at his maddest.

J. S. NICHOLSON

On Municipal and National Trading. By the RT. HON. LORD AVEBURY, P.C. (London: Macmillan, 1906. 8vo. Pp. vi., 176.)

THIS book is scarcely entitled to be regarded as a serious contribution to the discussion of the province of government. The term ‘National Trading’ seems to have been inserted in the title merely to justify the inclusion of twenty pages of snippets on State railways and three short paragraphs on the telegraph system. The character of these may be sufficiently indicated by the fact that a large portion consists of comparisons taken from Foxwell and Farrer, who wrote in 1889, and are supplemented by a table relating to the present time, in which we do not observe any comparison of the South-Eastern and Chatham’s performances with those of the Northern of France. The rest of the work does not differ from the multitude of ill-informed diatribes against municipal trading which have become so common in recent years. It professes to deal with a part of local authorities’ activity which it never attempts to define, but which may be conjectured to be that part for which funds are intended to be provided by special charges other than ordinary rates and taxes.

No one grumbles very particularly about these special charges. The municipal charges for water, gas, and tramway rides are paid without any more ill-feeling against the municipality than that which every right-minded citizen nourishes against his butcher and his baker, and with a good deal less than he nourishes against his bootmaker or his plumber. Very often indeed the payer is in blissful ignorance of the fact that he is paying a municipality, and I have known a town which has had a municipal water-supply for 200 years, where plans habitually came in from the office of a builder who actually sat on the town council, with the note, “Water supply from company’s mains.” A campaign against municipal trading in which the leaders insisted on the magnitude

of these special charges would fall very flat. No one would be much moved by an outcry that ten years ago the L.C.C. was not exacting a single halfpenny from the public in tram-fares, and now it is drawing over a million per annum.

What is unpopular is not municipal trading charges, obviously more or less roughly proportioned to services rendered, but rates, which are only so proportioned in so far as a conventional standard, namely, the rateable value of premises occupied, corresponds with services. Consequently the originators of the campaign in which Lord Avebury finds himself involved have hit on the plan of talking as if municipal trading were just exactly what it is not, namely, paid for out of rates. To say so straight out would of course be to utter a falsehood amounting to a contradiction in terms, so that it has been necessary to befog the public by mixing up all kinds of expenditure and receipts in hopeless confusion. The present book proceeds on this tack from the very first page. Between 1868 and 1901-2, we are told, the local expenditure of the United Kingdom grew from £36,000,000 to £144,000,000. A reader with his wits about him expects the next step to be a division of the increase into the two parts—one the “ordinary” expenditure, borne entirely on the rates, and the other the municipal trading expenditure, borne with the exception of a comparatively trifling amount upon the special charges. But nothing of the kind follows. True to the less respectable writers whom he follows, Lord Avebury contents himself with vaguely insinuating that the increase of expenditure is principally the result of municipal trading, and that, somehow or other, in spite of the special charges, it all falls on the unpopular rates. How inartistically this is done is shown by the next paragraphs, which read as follows:—

“No sufficient reason can, I submit, be given for this portentous increase of expenditure.”

Here we expect the assertion, “it is due to municipal trading” but it does not come. Instead we drift into

“No doubt in these years the population and rateable value have increased, but, as the Industrial Freedom League has pointed out, the average rate per head of population has risen in England and Wales, in the last twenty-two years, 62 per cent., the average debt per head has risen 95 per cent., and the average rate per £ of valuation 60 per cent. Moreover, as the assessment is increased, we are not only paying a higher rate, but on a higher assessment; so that the actual sum a man has to pay is raised doubly.”

If the figures were correct (which they are not) the last sentence would be arithmetically absurd. Lord Avebury continues :—

“ These figures are very grave, but they are not all. Though we are paying so much, we are not paying our way. The local authorities are running head over heels into debt.”

It seems a little incoherent to say first that a man's debts have increased 95 per cent., and in the next paragraph, “ This is not all; he is running head over heels into debt.”

I do not think this is a particularly unfavourable specimen of Lord Avebury's style and reasoning. There are worse. For example, there is the solemn suggestion on p. 159 that “ compound householders ” whose rates are paid by their landlords vote for persons or measures which increase rates, founded on the observation that “ the greater the proportion of compound householders who pay no rates, the higher the rates are.” It has not apparently struck Lord Avebury that the fact of a large proportion of compound householders indicates, *cæteris paribus*, a small amount of rateable property per head, which naturally results in a high rate per pound, as the cost of many services varies approximately with the population rather than the rateable value. No facts are given in support of the argument beyond the quotation of West Ham as an example. At any rate, the high rates of West Ham cannot be attributed to municipal trading, as they had come into being before West Ham engaged in municipal trading at all.

Lord Avebury assures his readers in his Introduction that he will show them that (1) municipalities have enough or too much to do without trading; (2) municipal trading involves immense increase in local debt; (3) “ it will involve municipalities in labour disputes,” (4) it will result in either a loss or a more costly service, from which the “ working classes will of course be the greatest sufferers,” (5) “ it is a serious check to progress and discovery.”

As to the first of these heads, Lord Avebury has nothing to put forward except an agenda paper of the L.C.C., which happens, as he admits, to be double the usual size. He does not explain why he takes as an example the L.C.C., which stands quite by itself in every way, which has many functions from which the ordinary municipality is free, and does not possess many which the ordinary municipality possesses. The fact that the agenda paper of the L.C.C. appears to be unnecessarily overcrowded with detail is scarcely a reason for alleging either it or ordinary local

authorities have so much to do that they should not enter on municipal trading. The work, he says, is not done by the Council or by its committees, but is done "by the staff." This seems an excellent arrangement, and one which is generally and with great advantage adopted in enterprises managed by public companies and even in large private businesses, such as the greater private banks, of which the principals often have sufficient leisure to write books on many different subjects.

As to the second head, Lord Avebury says very truly that the debt has increased, but he does not say how much of the increase belongs to municipal trading and how much to other services. To do so would not suit his purpose. He only wishes to make his readers' flesh creep. The only distinct reference to municipal trading in the chapter which professes to deal with this head is a quotation from an address delivered to the Industrial Freedom League, which professes to show that towns in which the "reproductive" debt bears the smallest proportion to rateable value have rates averaging 5s. in the £, and those in which the reproductive debt bears the highest proportion to rateable value have rates averaging 6s. These figures are got from "a list of 78 principal towns": not, observe, "*the* 78 principal towns," so that we may well suppose they were picked for the purpose, and we may also notice the somewhat suspicious list of reproductive undertakings, "electric light undertakings, tramways, markets, water, *and so on.*" Supposing the 78 towns are a fair selection and the reproductive undertakings include everything that ought to be included and exclude nothing that ought not to be excluded, the figures would be very far from proving what they are supposed to prove.

As to the third head ("it will involve municipalities in labour disputes") Lord Avebury relies chiefly, not on anything that has happened in English towns, but on the conditions of State-employment in Australia, where the *Melbourne Argus* tells us that "the State servants already constitute almost a clear majority of the names on the electors' rolls." The Victorian railways are quoted as an awful example, but Lord Avebury does not pursue their history beyond 1895. Does he not know of the subsequent struggle and its consequences, or does he think the less said about it the better?

On the fourth head, "the great probability, not to say certainty, that one of two things will happen: either there will be a loss, or the service will cost more. The working classes will, of course, be the greatest sufferers," Lord Avebury is far from lucid.

Strange as it may appear in one who once held high office in the L.C.C., he seems to be unaware of the well-known fact that housing schemes have for the most part been carried out in an attempt to fulfil Parliamentary obligations incurred in clearance or improvement schemes, and that for the unremunerative character of these schemes you might just as well blame the railway companies, who have, in pursuance of the same obligations, carried out equally unprofitable arrangements. Nor does it apparently strike him that the Industrial Dwellings companies which bought land from the Metropolitan Board of Works at "housing value" are in just the same position as the L.C.C. Housing Committee. How completely he misunderstands the whole question is shown by his belief that the quotation from the *Times* relating to a report of Mr. Cockerton on p. 63 supports his view. After this muddle and a little trifling with the Brighton lamp-posts, Lord Avebury reproduces Mr. Holt Schooling's easy sum, in which 5 per cent. on £121,170,000 is correctly worked out to amount to £6,058,500, and his delightful inference that the net loss on 1,029 reproductive undertakings is consequently the difference between that sum and £571,555, the declared net surplus, *plus* the amount actually allowed for depreciation, which does not include the £1,264,544 devoted to amortisation of capital. "I do not pretend to be an authority as to what percentage ought to be written off for depreciation, but Mr. Schooling has had a long experience in such matters, and is well qualified to judge. The figure actually taken certainly seems too low, and the difference would convert the small nominal profit into a substantial loss."

After this it seems a terrible bathos to descend to "Take again the Works Department Committee of the London County Council." This is not a municipal trading committee in any reasonable sense of the word, but if it were, why trouble about such trifles when you have proved a loss of $5\frac{1}{2}$ millions per annum? A few pages further on Lord Avebury is peddling with Sir Henry Fowler's profit of £378,000, and has apparently forgotten all about the $5\frac{1}{2}$ millions of loss.

EDWIN CANNAN

British Canals: Is their Resuscitation Practicable? By EDWIN A. PRATT. xi + 159 pp. cr. 8vo. (London: John Murray, 1906.)

THERE is a good deal in Mr. Pratt's book which is neither accurate nor profound, and very often, so far as it goes, militates

against his own case. It is absurd to talk as if waggons were almost unknown and pack-horses the only means of carrying goods when canals were introduced, and for my part I entirely refuse to believe that the charge for the conveyance of a pack-horse's load of coal was 2s. 6d. a mile! (p. 13). It is natural to distrust an author whose credulity allows him to make such a statement. It is odd, too, that one who has a weakness for diatribes against municipal enterprises, and considers the Mersey Docks and Harbour Board's business excellently managed, should not have discovered that that institution is no more municipal than the Co-operative Wholesale or the Royal Economic Society. Are readers really so stupid that they will not see the fallacy of assuming that railways are too heavily rated for local purposes, merely because in some parishes they pay 80 or 90 per cent. of all the rates? Why not? If we were told that a railway paid 80 or 90 per cent. of the rates of a county, a town, or even a union, we might be surprised, but there is nothing to be astonished at in the fact that a railway will sometimes pay most of the rates of a parish or any other small section of an administrative area. It is true that a rural parish may raise rates up to 6d. in the £ for its own purposes, but we may be tolerably sure that the small parishes referred to do not raise a halfpenny, and that the 80 or 90 per cent. consists entirely of rates raised for the union and the county. Railway rating has its anomalies and absurdities, no doubt, but the entire absence of any attempt on the part of the railway interest to show that railways or any particular railway *as a whole* pays more than other property is significant. Again, it is difficult not to feel irritation against an author who first shows that canals are nearly useless and must continue to decline, and then seeks to magnify as much as possible the amount which the State would have to pay in order to acquire them.

All this is the more annoying because on the main question Mr. Pratt has such an excellent case. Even in a perfectly flat country canals have many disadvantages as compared with railways. On the ordinary canal, the speed of transport is that of a walking horse with interruptions. Higher speed created by mechanical power cannot be substituted without widening the canal and strengthening its banks, and, after all, on the finest inland waterway that ever existed the speed attained is inferior to that of a mediocre goods train. The cost of construction of an ordinary canal on flat country must be much more than that

of a railway, even if we only consider what in the case of railways are called "running lines," still more if we take into account sidings and colliery and quarry branches. Barges are too big for convenient handling, and as they carry their loads low down in a sort of trough, they are much more troublesome to load and unload than trucks, which can be filled and emptied from any level which may be convenient. Ice is met with every few winters in our climate, and is an important obstruction, which now and then will close navigation altogether, in spite of all devices for keeping it open. The result is that even in a perfectly flat country no one thinks of constructing an ordinary canal in preference to a railway, and still less of building a canal alongside an already existing railway. The existence of a canal, on the other hand, is no obstacle to the creation of a railway, and if a line of solid flat land suddenly sprang up from Land's End to New York, a railway would be constructed immediately, and would pay an enormous dividend.

But Great Britain is not flat, and water cannot be induced to lie even at the very moderate gradient of two or three feet to the mile, say 1 in 2,000, which prevails on the very flattest railway runs in England, as, for example, between London and Banbury via Reading. Consequently, canals must be constructed in absolutely level lengths, and at the end of each length barges must be lifted up to a new level. This is done by a cumbrous arrangement known as a lock. On the average, Mr. Pratt says, there is one lock to every mile and a quarter of canal in Great Britain; *i.e.*, on the average a barge has to be lifted to a new level every mile and a quarter. The process of lifting requires not only time and labour, but also an immense quantity of water, and the water used always goes one way—down hill. The consequence is that a large supply of water is wanted at the very summit of the canal where it passes over a ridge. This is just the place where a steady supply of water is least likely to be available. Hence the great canal reservoirs with which the country is studded, which are often nearly dry, and would be utterly inadequate if the canal traffic were much bigger than it is. They are often inadequate as things are, and the water which has been used in the locks is laboriously pumped up again into the higher levels. What would be thought of a railway if the trains had to be lifted a few feet every mile and a quarter, and if the rails ran away down hill in dry weather, and had to be dragged back again by expensive machinery? It must be remembered, too, that nature has so arranged things that the heavy

articles for which canal transport is supposed to be particularly suitable come mostly from hilly neighbourhoods and high levels whence railway trucks run easily. Coal mines and quarries are not frequent in the Fens. Anything more ludicrous than the idea of constructing branch canals to most of the collieries and quarries which have railway sidings can scarcely be conceived.

EDWIN CANNAN

Protective and Preferential Import Duties. By A. C. FIGOU.
(London : Macmillan and Co.)

THIS book, though small, must be reckoned one of the most brilliant contributions to the discussion of the Fiscal Question. It brings together the substance of two articles contributed to the *Edinburgh Review* in October, 1904, and January, 1906, and the author's "Riddle of the Tariff," published in 1903, arranged as a systematic whole. The Fiscal Question, as the author of this book more than once insists, involves much more than economic theory, and it is a tenable view that the purely economic problems are not the most important. Nevertheless, it is Mr. Pigou's discussion of theoretical points with which it is most appropriate to deal in the *ECONOMIC JOURNAL*, and it is no disparagement of his treatment of the more controversial political side of the question if we say that it is in his treatment of problems of economic theory that we look for the most valuable part of his work.

In the first chapter we have a short statement of the infant industry argument and its modern extensions, and of the well-known "dumping" theory, the conclusion of which is summed up (p. 22) thus :—

"From these considerations it appears that, though circumstances may exist in which Protection would ultimately benefit the National Dividend, there is no reason to suppose that such circumstances do exist in England at the present time. Since, therefore, the argument of our first section proves that Protection must immediately injure the dividend, we conclude that it is likely to injure it on the whole. I pass, therefore, to the different and more difficult question whether the collection of a given revenue by duties of a protective character is likely to injure the dividend more than the collection of an equal revenue in some other way."

This way of putting the problem seems open to some criticisms. The argument of the first section is that each individual is likely to make the best bargain when not interfered with.

"The National Dividend is, however, the sum of the private dividends of the members of the nation. Hence it follows that the dividend of the whole community is, *prima facie*, larger when exchange is free than when exchange is not free" (p. 8).

But is there no general rule that each individual in making his own best bargain in international trade to some extent prejudices the position of his fellow-countrymen, and that the maximum national advantage is not found in unrestricted individual freedom? If this be so, and if tariffs based on the usual protective principles are a kind of restriction which is beneficial, it would seem that a certain amount of revenue would be incidentally raised by a tariff designed primarily to maximise the advantage of international trade. Mr. Pigou's way of stating the problem—to raise a given revenue by means of either a protective or a non-protective tax—seems to ignore the possibility of a combination of the two methods if the protective tariff, not primarily designed for revenue, did not yield enough.

Some reasons have been advanced by the present writer in the preceding number of the *ECONOMIC JOURNAL* in support of the theoretical case for restriction, and the position there taken up has a strong resemblance to that of Mr. Pigou in this book when he deals with the comparative merits of protective and non-protective duties as a means of raising a given revenue. But there is some degree of difference in regard to the comparative importance of the indirect influence of an import duty on the terms of interchange in foreign trade generally, and that of the "direct gain and loss" in respect of the taxed article itself." According to Mr. Pigou, the latter is, "the chief element to be considered" (p. 25). He seems to minimise unduly the indirect effect.

This is a point of some importance in connection with the comparative merits of protective and non-protective taxes. The former, as Mr. Pigou recognises on p. 25, has a greater indirect influence than the latter, and its advantage is not to be found simply in the fact that a certain proportion of the revenue raised can be described as falling on the foreigner in the sense ordinarily meant (p. 31, first three lines, seems inconsistent with p. 25). The more effectively protective a tax is, the less is the revenue derived from a tax of given height, and in the extreme case the tax would exclude the particular import altogether. The tendency to increase the National Dividend, however, is greater (for taxes less than a certain height), the more effectively it protects, or more strictly, the more elastic our demand for the imported

article. The advantage is not, therefore, to be regarded as simply a certain proportion of the revenue.

The relative importance of direct and indirect effects may be seen in the formula which was the basis of the writer's article already referred to. It is derived as follows:—

Imagine this country to have a currency peculiar to itself. Foreigners bring goods here, sell them for our money, the Government levying a tax—whether from buyers or sellers is immaterial. With the money received the foreigners purchase our goods and take them abroad for sale in their own country.

Take first the case of a general tax. We can then take one commodity only for imports and one for exports. There is thus obtained an expression¹ for the rate at which advantage increases with the increase of a small tax, from which the following inferences can be drawn.

(1) The expression is positive, unless both demands are inelastic in a certain degree (Cp. ECONOMIC JOURNAL, December 1906, p. 532). Advantage therefore varies directly as the tax.

(2) The expression is larger, the larger the elasticity of the home demand for goods from the foreigner (unless the curve of foreign demand is steeper than a rectangular hyperbola.) When the elasticity of the home demand is infinite, the value of the expression is higher than for any other value of the elasticity.

(3) Foreign demand plays just as much part in the expression as foreign supply, though the tax is on imports (exactly the

¹ Let the equations of supply and demand be—

Home demand for import.

$$y = f_1(x)$$

Home supply for export.

$$y = F_2(x)$$

Foreign supply for export.

$$y = F_1(x)$$

Foreign demand for import.

$$y = f_2(x)$$

Our country imposes a tax p per cent *ad valorem*. Let $r = \frac{100}{100 + p}$.

Let a_1 and a_2 be the quantities imported and exported after the tax is imposed.

We have

$$(1) \quad r a_1 f_1(a_1) = a_2 F_2(a_2)$$

$$(2) \quad \frac{r f_1(a_1)}{F_1(a_1)} = \frac{F_2(a_2)}{f_2(a_2)} = \text{ratio of exchange of moneys.}$$

Net advantage of trade u is

$$u = \int_0^{a_1} f_1(x) dx - \int_0^{a_2} F_2(x) dx$$

The rate at which advantage is increasing with a small tax is $-\frac{du}{dr}$ when $r = 1$

$$\frac{1}{\eta \delta} - \frac{1}{\eta \sigma} \\ \left(1 - \frac{1}{\eta \sigma}\right) \left(1 - \frac{1}{e s}\right) - \left(1 - \frac{1}{\eta \delta}\right) \left(1 - \frac{1}{e d}\right)$$

where es and ed are the elasticities of home supply and demand, $\eta \sigma$ and $\eta \delta$ of foreign.

same expression is derived in the case of export tax). The larger the elasticity of foreign demand, the greater is the importance of the magnitude of the home demand, and conversely. In fact, we might say that Protectionists correctly appreciate the influences affecting the denominator of the expression which indicates the (variation of) advantage resulting from the duty, and the sign of it, whilst Free-traders perceive that the numerator is generally rather small.

With a tax on one of many commodities, the indirect influence can be shown to be generally of no less importance than the direct effect, by the equal prominence of foreign demand and foreign supply. If we take, for simplicity, n imports of equal value, having the same elasticity of supply and demand, and similarly n exports, the expression for the rate at which advantage is increasing when one import is taxed is identical with the above, and just one n^{th} of what it would be if all were taxed.

This formula shows only the tendency of a very small tax. No doubt, if a large revenue were required and heavy taxes needed, the advantage of the protective tax would disappear. But, as has been remarked, it is not necessary to have the one kind exclusively of the other. A few words may be added here on the difficult question of the height to which, in theory, import taxes can be raised in order to maximise advantage.

If we assume curves of constant elasticity type,¹ the maximum advantage rate, it may be shown, is independent of the elasticities of home demand and supply.²

Rather strong assumptions have to be made as to the elasticity of foreign supply and demand if the rate of the tax affording maximum advantage is to come below 10 per cent.

Little room is left for saying anything about the questions raised in other chapters of this book. In connection with the question of internal distribution of wealth, two remarks may be added in supplement of Mr. Pigou's discussion—(1) In considering the problem generally, apart from the particular circumstances of England, we must remember that the community stand to gain more at the expense of rent-owners in the exporting

¹ Cp. Marshall, *Principles of Economics*, Mathematical Note iii.

² With one commodity on each side, the maximum advantage rate, p per cent. is given by

$$100 + p = \frac{100}{1 - \frac{1}{\eta\sigma}}$$

trades than they stand to lose to rent-owners in protected industries, since exports are diminished more than imports are increased. (2) A point of some importance in England is that the tendency of a protective tax to lower the value of money means a transference of wealth from the "rentier" class to the community.

The second part of the book, dealing with preferential tariffs, contains some very penetrating criticism of a particular scheme. The general question whether a mutually advantageous scheme might be devised is not dealt with.

This review has been occupied almost entirely with points on which the writer has felt a certain amount of dissent from Mr. Pigou's position. There are many others on which no difference arises. There is displayed throughout singular impartiality and power of clear analysis. The examination of what may be called the special pleas put forward on behalf of Tariff Reform (the supposed changing character of exports, dumping, &c.) is particularly lucid. The mathematical notes on pp. 27-31 and p. 113 are important contributions to the theory of taxation and bounties; and the attempt, in Part ii., chap. i., to estimate the effects of a proposed Preferential scheme, though necessarily speculative, is the best of the kind that has yet been made.

C. F. BICKERDIKE

The Industrial Organisation of an Indian Province. By T. MORISON. (London: Murray. Pp. 327.)

WHEN Mr. Morison was Principal of the Mohammedan Anglo-Oriental College at Aligarh, he used to teach European economics to Indian students; now he combines that task with the equally difficult task of teaching Indian economics to European students. A generation ago readers might have assumed that a book written on such subjects for such readers would resemble a book on the theory and practice of painting and music intended only for the use of men born blind or deaf. But recent economics have tended to bridge over the gap between non-competitive custom, which is supposed to dominate India, and non-customary competition, which is supposed to be the differentia of Europe; and Mr. Morison has carried this tendency a stage still further in his able, interesting, and judicious book.

In contrasting Indian and European conditions he is treading more or less in a beaten track; but the moral which he draws is by no means hackneyed. He tells us how in the United Provinces of Agra and Oudh—to which he confines himself—agricul-

turists include more, probably far more, than two-thirds of the total population; how each agricultural village aims at local self-sufficiency, so that costly machinery is impracticable, and many-handed drudgery is essential; how its weaving, carpentering, and other industries are inevitably entrusted to officials; how the weaver and carpenter prepare their annual budget of domestic income and expenditure; how rents, salaries, and wages are paid in agricultural produce or its estimated equivalent; and how the village grain-dealer buys from, values for, and lends money to the agricultural producer. Agriculture is the hinge on which the industrial system turns; and the supremacy of agriculture is the one vital difference between East and West. English economics have not impaired its dominion; indeed, English law has renewed its strength; although in doing so it has multiplied mortgage debts, and the author desires rather than expects further reform by some native Raffeisen of the dim and distant future; for innovations of a co-operative character must come from within, and presuppose a complete change of the moral, rather than of the legal or economic environment, and of this change there is as yet no symptom. He points out that the ideal of self-sufficiency was the distinguishing feature of the rural economy of New England for some 200 years, so that it is not so inconsistent with modern conditions as some theorists imagine; moreover, it is as suited to the peculiar circumstances as shallow ploughing is to the peculiar soil of rural India; so that in all probability it has a long future before it; and even the village weaver, who is most jostled and hustled by external competition, would render his position all but impregnable by the adoption of an improved handloom. In this sense East will remain East, and West will remain West, and the secular differences of East and West are destined to endure. But many other differences between East and West are exaggerated, and turn out to be more apparent than real. Thus the old landlord used to eke out his share in the produce of the harvest by aids, benevolences, fees, forced presents, and fictitious values which varied with the laws of supply and demand; the leather carrier eked out his scanty salary by casual work for wages in the field, and we read of the cultivator watching him as he reaps and reaps from sunrise to sunset, and then handing him three bundles of corn, which are larger or smaller according to his industry; and the very money-lender spends most of his time in drawing up two sets of accounts, one of which shows the old Adam of self-interest in his nudest, dirtiest shape presiding over the distributive economics of the East. The writer maintains

that the three F.'s which are now the Palladium of the Indian cultivator were a British invention like the three F.'s in Ireland, and owed their origin to similar causes.

Perhaps the most interesting chapters to English readers are those which deal with State action in India. The State encourages loans for wells and the like as a duty; and it only undertakes larger works of irrigation on its own responsibility when those works are far beyond the scope of private enterprise. Its roads and railways have transformed famines from periods of starvation to periods of unemployment. Nowadays in times of famine, price-lists and death-rates barely rise above normal; and when the period is over the unemployed resume their old employment because the State is very careful to give the cultivator or labourer less than he would get by ordinary cultivation or labour. Formerly hundreds of villages were swept with the besom of destruction, and prices were multiplied by twelve when famine occurred. The change is due simply and solely to improved communication. Mr. Morison's statistics are conclusive upon this point.

Nor is this the only boon which improved communication has conferred. Charts and lists of local and general prices of agricultural produce, showing considerable research and care, are published, and reveal beyond question: (1) a general tendency of local to conform to general prices; (2) an increasing tendency in this respect; (3) an extraordinary contrast in former times of one locality with another and of one year with another in its prices; (4) the gradual disappearance of these contrasts, and the substitution of uniformity and stability for caprice and variability; and (5) a gradual rise in price consequent on the depreciation of the rupee. Indeed, these tables and appendices, and the balance-sheets of carpenters and weavers, are for experts and serious students the chief feature in the book. Most of them are, it is true, taken from official reports; but even the classical reports of W. Crooke, Sir F. A. Nicholson, and Sir A. P. Macdonnell are not in everybody's hands, and the author selects and arranges material drawn from many dozens of reports, with a point and conciseness all his own. The generalities to which this review mainly refers will doubtless strike experts as familiar, but we think that many people will find in them new suggestions; and we are quite sure that every reader, whether expert or inexpert, will derive instruction as well as suggestion from the apt illustrations and appropriate arguments with which these generalities are invariably accompanied.

J. D. ROGERS

Industrial Combination. By D. H. MACGREGOR, M.A. Pp. 245.
(London: George Bell and Sons, 1906.) Price 7s. 6d. net.

MR. MACGREGOR begins this very interesting work by defining industrial combination as "a method of industrial organisation by which a common control, of greater or less completeness, is exercised over a number of firms which either have operated hitherto, or could operate, independently. This control may be either temporary or permanent, for all or only for some purposes." This is an admirable definition, except for the phrase "or could operate," which leads him to include under combinations the case of a firm which "extends its enterprise by building new works in various parts of the home and foreign markets." The extension of the term is entirely illegitimate; and to say that "the refineries of the Standard Oil Trust did not "enter into" a combination; they are the results of the enterprise of a combination," is either a mistake or misleading. The South Improvement Company, the Refiners' Association, and Mr. Rockefeller's purchases in 1874-79 were all stages in the development of the Trust, and they were all marked by the combination of previously independent companies. A large firm may have a monopoly without being a combination, and a combination may be, but is not of necessity, monopolist. To include the large many-membered firm among combinations because it dominates an industry is to confuse the result and the method.

The capacity of the combination to substitute itself for the large independent firm as the representative method of industry is analysed in detail under the heads of productive efficiency, risk, bargaining strength, and resource. By risk is meant ability to sustain the risks inherent in the form of organisation, and to undertake the risks of the industry; by resource is meant the ability to utilise the opportunities of the market. These several categories to some extent overlap, as the author admits, and they might be summed up in the one word "management." This part of the work is thoroughly well done, and is full of suggestive criticism. Praise, too, must on the whole be awarded to the chapters on the causes and structures of trusts and kartells. In a separate chapter, which in many ways exhibits the author at his best, the differences between labour combinations and industrial combinations are fully discussed. This is a thoroughly useful piece of work, for, even if Mr. Macgregor does not completely dispose of the argument that trusts and trade unions are akin in that they each seek to increase the bargaining strength

of their members, it is more important to bring into prominence their differences, and so defeat the attempts that are being made, especially in America, to involve the unions in the same odium that envelops the trusts. The weakest part of the book is the last chapter, in which the author essays to prove that those industries which are at present conducted by the State are of an entirely different nature from those left to private enterprise. To defend nationalisation of railway transport on the ground of "its exceptional strategic position in the industrial system," and to oppose the nationalisation of, say, coal and iron, which are equally necessary to all other industries, is, as a matter of argument, to take up a very weak position.

The strength and weakness of the book is that it is so purely theoretic. It is difficult, indeed, to imagine any better contribution to the study of combination from the standpoint of theory than this volume, of which another theorist could only complain that Mr. Macgregor has confined himself so largely to American and German experience, and has to a great extent neglected Great Britain, where he would not have had to deal with the artificial stimulus of tariffs and railway rebates. From theory comes the temptation to regard ordinary combinations as abnormal. A combination of firms which have attained their full development, for the purpose of utilising in a higher degree the opportunities for economy offered by the general organisation of industry, is, to Mr. Macgregor, normal development. "Defensive combination," on the other hand, "arises out of abnormal market conditions." Right here theory and practice come into conflict. It is a matter of common knowledge that in trade after trade prices keep running down to unprofitable levels, owing to stress of competition, and, that being so, what is the use of stigmatising such conditions as abnormal? Investigation shows us that with the widening of the market the individual loses control over the conditions attending supply and demand. The tendency towards production at a loss and the evolution of combination in order to control the market are, in fact, "normal," if one must use that, economically, very misleading term. Again, to imply that combination is the cause of over-capitalisation is not entirely true, for the over-capitalisation is already there in the industry suffering from over-competition. The truth is that a price has to be paid for permission to regulate the industry, and the only question which arises and has to be settled separately in each case is whether that price is more than is justified by the subsequent economies. Mr. Macgregor seems to conceive

of capital as being much more fluid than it really is, of the over-capitalised company as having to succumb before the new competitor. But, so long as the debenture-holders are paid, a company need not close its works; it can and does meet the prices of its rival, and if there is an over-supply, both are alike involved in loss, and the newcomer finds itself in effect over-capitalised. Mr. Macgregor does not consistently keep before him the facts that destructive competition does not pay, and that the object of business is to pay. In a word, he has written a very good book, but it is not the final analysis of combinations.

HENRY W. MACROSTY

Economics for Irishmen. By "PAT." (Dublin: Maunsel and Co.)

IN face of the paucity of treatises bearing on the economic condition of Ireland at the present day, and the results of the agrarian and social changes of the past century, the title of the present work is an attractive one. It perhaps contains a promise of some constructive proposals which is not fulfilled in the work itself, but this loss may be lightly passed over owing to the frequency with which in dealing with this subject suggestions for reform tend to precede and obscure a clear investigation of fact. The author's task being largely that of exposition we regret the more that his style in places should seem to catch too much of the spirit of his environment, and that statements and conclusions, the results, no doubt, of careful observation and deduction, should lose in weight by a lack of moderation in expression. The inefficiency of the average Irish agriculturist arising from defective education and lack of enterprise is the main argument of the book, and no one after its perusal, whatever his other opinions may be, will doubt that the author has given the question a careful and impartial study before drawing his conclusions, or that, as he claims himself, he has "spent a considerable time examining the data of our agrarian economics, not merely in the study, from statistics and arguments, but mainly in the open field; face to face with the concrete facts."

These facts as observed by him have led to the conclusion that peasant proprietorship, so far from increasing the annual output of the land and benefiting the community generally, has rather tended to perpetuate the worst faults of the Irish farmer, has depressed the position of the labourer, and bids fair to reduce Irish economic life to a state of perpetual stagnation. The Land Acts

have, in his opinion, only "changed the ownership from one set of agrarian incapables to another," and the latter state of the country is worse than the first.

When we look for actual evidence to support such a bold case, we find it, if not altogether convincing in its nature, stated with a considerable amount of assurance. In the first place it is argued that the Irish farmer has become a grazier pure and simple, not because that is the most profitable form of employment to which his land can be put, but either because he does not know his business or because, in the writer's vehement words, "where he does not happen to be a lunatic he prefers £50 a year and no work to £100 a year and efficiency in his farming." It may be a matter of question how far the increased difficulties of management will be held to outweigh a larger profit to be obtained from tillage as compared with grazing, but if there is any class of agriculturists who from mere indolence are content to work their farms on half their practicable productivity, we can only consider that the conditions of the case are such as to put it altogether outside the pale of ordinary economic reasoning. That there has been a considerable decrease during the past twenty years in the acreage devoted to cereal and green crops in Ireland no one will be prepared to deny, although reference to the actual facts is often necessary to prevent exaggerated estimates of the magnitude of the change, but what we would wish to see before giving our assent to the main conclusion of the present work is some satisfactory evidence that this alteration in agricultural conditions is not part of a general movement in the United Kingdom.

The author's arguments would be immensely strengthened by the inclusion of statistics, if any such were available, going to show that the decline of tillage in Ireland possesses features either of character or amount which would compel us to attribute it to causes other than those acting on the British Isles as a whole. Until some such evidence is produced we will be inclined to seek for external and general reasons for the change rather than attach much weight to what the author speaks of as the "heartfelt desire" of the Irish farmer to "go to grass on half his practicable income." Nor can all the statements adduced in support of this argument be allowed to pass without question; where, for instance, the case is quoted of a farmer who in 1905 was receiving as much as £12 an acre for conacre in the County Meath, one may well, while not disputing the accuracy of the individual instance, contest the author's right to represent it as typical of agricultural

conditions in any portion of Ireland. There would appear to be a certain crudeness in the writer's suggestion of an age of agricultural felicity as existing before the recent transfer of proprietary rights on a large scale, or to use his own forceable expression, "the days before we began Land-Acting"; the case against peasant-proprietorship in Ireland can hardly gain much from a comparison with the state of things that preceded it, nor perhaps would the author himself condemn the land legislation of our own time, but a certain looseness of argument appears to lead him into expressions which are inconsistent with any other attitude.

While not convinced by the arguments of the present work, many will welcome its publication as an interesting treatise on Irish agriculture derived from practical observation and experience. It is a matter for regret that what promises at the outset to be a scientific investigation of the subject should too soon adopt the somewhat noisy tone which characterises the greater part of it. Eloquence has indeed, as the author himself says, "become a disease amongst us"; we set a sufficiently high value on the present work to wish it free from a suggestion of that evil. In conclusion, while "Economics for Irishmen" cannot be regarded as a thoroughly adequate or satisfactory treatise on a very wide subject, it undoubtedly contains a great deal of valuable and suggestive material likely to prove of great assistance to those dealing with the same questions in future.

H. L. MURPHY

Esquisse d'une sociologie. By M. F. WAXWEILER. (Travaux de l'Institut de Sociologie.) (Brussels : Misch and Thron, 1906., Pp. 360.)

AMONG all the "outlines," "principles," "first lessons," "treatises," "surveys," and so on of sociology which are daily put forth, this book is of the few which really advance the science. It is the aim of the author not to give an account of the present state of sociological knowledge nor to solve thoroughly any concrete problem, but rather to supply hints and suggestions for deeper research, principally to the students of the Institut Solvay. Hence the aphoristic manner in which he deals with the methodological questions, and even the main problems; hence also a really astonishing wealth of original and valuable remarks—made without any claim to completeness or systematic order. Munificently the author offers us ideas and observations, many of

which are sure to become fruitful starting-points of further analysis and research.

We must confine ourselves to dealing with the author's fundamental views and the general trend of his thoughts, being unable to enter on the discussion of all the problems that he raises.

M. Waxweiler starts from biology, emphasising in his first pages the fact that man, like other animals, cannot be understood without investigating the conditions of his life. This is most undoubtedly true, and is so commonly accepted that this part of the book has hardly a claim to the interest which we, on the whole, accord to it. Much may be said about this starting-point. It is precisely the fact that we can *not* explain the social phenomena by biology alone, that justifies an independent science of them at all. Once we succeed in doing so sociology as such will cease to exist as an independent science. Just as it is reasonable and necessary to treat chemical phenomena as such, although it is highly probable that they must find somehow their mechanic explanation, it is quite indispensable for us to construct a science of human action and reaction on the basis of the given social facts, whatever their nature may be, in spite of our conviction that we are building but a provisory framework. Therefore we think it is misleading, especially for the beginner, to say that it is biological research which ought to be done at first.

M. Waxweiler himself, indeed, agrees in practice with us. In the rest of the book he makes little use of biology, but devotes himself almost exclusively to the study of sociological phenomena as given by experience without any recurrence to any other science, except psychology.

After defining sociology very aptly as the science of action and reaction between individuals, he proceeds to investigate—or, rather, to give advice how to do so—how man acts in different circumstances and for different purposes by utilising the daily experience as well as ethnographical, historical, and also zoological data. This is indeed the only sound way leading to truly sociological results, and we cannot emphasise enough M. Waxweiler's merits in this respect. First of all, such investigations cannot but start from the individual. Doing so involves the denying that it is the social group as such which is our object; that it acts like an individual being; that there are other principles required for dealing with it than those afforded by the analysis of the individual psyche. That these latter views are not correct—although still held by many eminent writers—is an important result, which we regret not to be able to discuss more fully here. Secondly,

M. Waxweiler's methodological remarks—hints as well as warnings—must be regarded as of the best contributions to that much-discussed subject. We draw attention only to the importance accorded by him to the experience of daily life—as another writer aptly says, “il faut regarder seulement ce que nous *voyons* toujours”; also to what he says on the comparatively small value of historical material—the use of which is interfered almost always by what he calls “egomorphism”; further, to his chapter on sociological—or, rather, psychological—experiment. Thirdly he deals—and this is perhaps the most valuable part of his book—with some important concrete problems of the social conduct of the individual, *e.g.*, with the aggressive, defensive, friendly, hostile, acquisitive activity. Indeed, by carefully examining these phenomena, we are sure to gather interesting results as to the relation between man and man, and investigations of this kind become more and more numerous. (Tandé at Paris, Simmel at Berlin; see also many articles in the *Revue de Sociologie*.) Here we want to attract the attention of the readers to what our author calls *lexique sociologique*. Owing to the fact that all the things which we seek the social importance of are commonly known, and have received a definite denomination, he thinks that it is not useless to discuss the notions already given by the language. He draws up, therefore, a list of such words as signify some social relations, as, for instance, friendship, household, leader, gratitude, ambition, in order to suggest, by the only word, some knowledge of the phenomenon designed by it—a very useful plan. Finally, he comes to the more complicated phenomena of co-operation between individuals, whence results interdependence, leadership, organisation, association. This part of the book is most aphoristic, but it opens, nevertheless, a wide outlook.

The first thing to be done in sociology is, after all, description of this kind. As M. Waxweiler rightly observes, we are not at present in a position to find great general laws. We are here, at least, as far behind exact economics, I think, as the latter science is behind national mechanics. What is wanted for an exact treatment is a fundamental phenomenon, such as, *e.g.*, value is in economics. Now, notwithstanding the truth of what I just said, it must not be forgotten that M. Waxweiler suggests to us something of this kind: I mean, what he calls social energy of the individual. But he correctly abstains from going too far in this direction, giving once more here only a hint.

To sum up, it is a book which ought not to be overlooked by anyone interested in sociology, or even in social science in general.

JOSEPH SCHUMPETER

Les Antagonismes Économiques. By OTTO EFFERTZ. (Paris : Giard et Brière, 1906.)

I HOPE that the author of *Arbeit und Boden* will forgive me if I say that the manner in which his new book is written is calculated to prevent people from reading it. If M. Effertz wishes to be taken seriously, and it is fairly clear that he does, he should keep his personality more in the background. To begin by stating that *Les Antagonismes Économiques* is either very bad because all "the German universities refused *Arbeit und Boden* as a thesis, or very good because it inspired M. Landny's *L'utilité sociale de la propriété individuelle*,"¹ is to exhibit a lack both of logic and humour. Nor are the true principles of ponophysiocratic socialism likely to be advanced by calling German economists and German Socialists old fossils. Yet some of the author's points are worthy of consideration from a sociological, if not from an economic, point of view. His feelings, though sometimes eccentric, are always humane. But he shows himself an embittered, disappointed man, rather than a single-hearted seeker after truth. It is a great pity. Readers may be recommended to begin with M. Charles Andler's preface, which contains a good exposition of M. Effertz' system; it is not easy to recommend them to go further and read this book.

C. P. SANGER

Le Formation des Richesses et ses Conditions Sociales Actuelles
—Notes d'Economie Politique. Par EUGENE D'EICHTHAL.
(Pp. 454, Gillaumin et Cie., Paris. 1906.)

WHILST in some respects he merely goes back beyond more modern economists to the definition of political economy given by J. S. Mill, there is yet a flavour of novelty, not so much in the actual formula adopted by M. d'Eichthal as in the distribution of emphasis. For he views economic science as dealing primarily with "the production of articles intended for the satisfaction of human wants," and only secondarily with the distribution of those articles among the various factors in production. It is indeed, in its dealing solely with this latter question, that he discovers the fundamental fallacy of Socialism. The book, however, is by no means a mere treatise on production, but rather a whole system of political economy, of which the keynote is found in that part of it

¹ See ECONOMIC JOURNAL, Vol. xii, p. 69.

which is too often doomed to neglect. "Il semble, à les lire," he writes, "que celle-ci (production) va continuer à se réaliser d'elle-même." This, the view not only of the Socialists, but in a lesser degree of Mill, the author sets out to combat. The first part of the work, therefore, is devoted to the structure and organisation (mécanisme social) of production, which unlike les procédés technologiques, comes within the economist's scope. This is followed in Part II. by the consideration of the social conditions affecting the use, increase, and spread of riches, and finally, in Part III. (Les Garanties Sociales), are considered, *inter alia*, various attempts to realise social justice by taxation and by State regulation, municipal socialism, and two recent collectivist Utopias. The importance of production would, however, appear to be the cornerstone of the whole work.

N. B. DEARLE

Das Problem des Normalen in der Nationalökonomie. Beitrag zur Erforschung der Störungen im Wirtschaftsleben. Von DR. PHIL. N. PINKUS. (Leipzig: Verlag von Duncker & Humblot, 1906.)

THE greater part of the book is a criticism of the alleged confusion of ideas as to the relation of theory to fact, on the part of the great body of writers on economics past and present. This is traced to a loose use of the word "normal," which the writer insists should be used in a subjective sense only. In the final chapter, to which he appears to attach most importance, he develops a method which may be described as a barometer of the condition of commerce, in which there is little essentially new. The average of a statistical series (*e.g.*, the price of iron) for the years which elapse between two years of crises is calculated, the mean deviation from the average is taken, and the deviation for each year is expressed as a fraction of the mean. The number so obtained is called the "Konjunkturkoeffizient" for the year. There seems no good reason for omitting the year of crisis from the average, and in the case of a symptomatic series it would surely be better to reckon the deviation from a moving average; for a considerable co-efficient would be obtained on the author's plan, if the series were one with no fluctuations, except in the year of crisis, but with a steady rise.

A. L. BOWLEY

Emigrazione di Uomini ed Esportazione di Merci. By PROF. L. FONTANA-RUSSO. (Roma : Unione Co-operativa Editrice, 1906. Pp. 18.)

THIS pamphlet is reprinted from the *Rivista Coloniale* of September, 1906. Its purpose is to show that the emigration of some of the citizens of Italy has proved beneficial to the citizens who have not emigrated. To this effect there are a few sentences of general argument, but the bulk of the paper is devoted to a statistical proof that Italian immigrants in foreign countries have been responsible for large purchases of Italian goods. In this way, it is argued, they have, both directly, and indirectly through their example, stimulated several Italian industries. The argument is based on statistics of Italian exports to the United States, Argentina, and Australia, while the two Brazilian States, San Paulo and Rio de Janeiro, afford occasion for a more precise application of the method of difference. The reasoning is, in some respects, similar to that by which Mr. Loch sought to show, in a recent paper before the *Royal Statistical Society*, that internal migration reacts beneficially upon pauperism. It should be observed that the statistics only prove that an Italian resident abroad is more stimulating to native industry than a non-Italian resident abroad. They do not prove that he is more stimulating than an Italian resident in Italy. They do not, therefore, of themselves, prove that emigration is beneficial to non-emigrant Italians.

A. C. PIGOU

NOTES AND MEMORANDA

THE ECONOMIC LEGISLATION OF THE YEAR 1906.

THE Parliamentary year of 1906 is notable in having been the most prolific in legislation since the year 1900, a year which, like 1906, was marked by an autumn session; but, though they placed many Acts on the Statute-book, the Government did not succeed in carrying their most important measure, the Education Bill.

We have not yet had a proper Liberal Budget, that of last spring having been, for the most part, taken over from the outgoing Conservative Government.

In reviewing the legislation itself, we will deal first with

I. *Acts applicable to the Empire at large.*—With regard to matters of finance, the estimated revenue for the year was £144,860,000, and the estimated expenditure £141,786,000. According to the *Appropriation Act* (6 Edw. 7, c. 26), the Navy was to cost 33½ millions sterling, a reduction of 1½ millions from the previous year; and of this total the shipbuilding programme was estimated to cost £6,800,000; 33 millions was granted for the Army, with 3 millions, in addition, for the Ordnance factories. The cost of the Army has not been decreased, in spite of the fact that the *Army Annual Act* (c. 2) provides for an establishment of 204,000 men—17,000 fewer than last year. The grant for Education shows an increase of £1,000,000, being now £17,000,000.

Under the *Public Works Loans Act* (c. 29) grants for various public works were authorised up to £4,000,000.

Among the Acts not of a financial character were the *Wireless Telegraphy Act* (c. 13), which continued the operation of the Act of 1904, until the end of the year 1909, and the *Marine Insurance Act* (c. 41), in which the law relating to marine insurance has been codified and previous enactments repealed.

II. Of the measures *applicable to the United Kingdom*, the *Finance Act* (c. 8) did not contain any novel feature. The duty on tea was again reduced, from 6*d.* to 5*d.* per lb.; the increased duty of 3*d.* per lb. on stripped tobacco, imposed in 1904, was reduced to $\frac{1}{2}$ *d.* per lb., and the export duty of 1*s.* per ton on coal, imposed in 1901, was abolished. The income tax remains at 1*s.* The amount of the annual charge for the National Debt under the Sinking Fund Act, 1875, which in 1905 was raised from £27,000,000 to £28,000,000, was raised, for the current year, by another £500,000. Among the duties imposed by the *Revenue Act* (c. 20) may be noticed one of £1 payable on a licence to be taken out annually by a Manufacturer for sale of British wines or sweets.

The law governing alkali works and works of a kindred nature has been codified and amended by the *Alkali, &c., Works Regulation Act* (c. 14); any expense incurred by a sanitary authority under the Act shall be defrayed as general expenses incurred by the authority in execution of the Public Health Act.

An Act of considerable importance is the *Prevention of Corruption Act* (c. 34), which came into operation on January 1st. It imposes a maximum punishment of two years hard labour, or a fine of £500, upon any agent who *corruptly* accepts or agrees to accept or attempts to obtain for himself or for any other person any gift or consideration, as an inducement or reward for doing or forbearing to do, or for having, after the passing of the Act, done, or forborne to do, any act in relation to his principal's affairs or business, or for showing or forbearing to show favour or disfavour to any person in relation to his principal's affairs or business. The like penalty attaches to the person who *corruptly* gives, or agrees to give, or offers any such gift or consideration to an agent, or who knowingly gives to an agent any erroneous receipt, or account, or other document with intent to deceive the principal. The wording of the Act itself is of importance; "agent" includes any person employed by, or acting for, another, and "principal" includes an employer. The word "corruptly" would seem in effect to mean "secretly."

The *Bills of Exchange (Crossed Cheques) Act* (c. 17) deals with a decision of the High Court upon a question of considerable importance to bankers. Following the principle of *Akrockerri (Atlantic) Mines, Ltd., v. Economic Bank* [1904], 2 K.B., 465, it is provided that where the customer of a bank delivers to the banker for collection a crossed cheque to which he has no title, the fact that the banker credits the customer in the bank ledger

with the amount of the cheque before it is cleared does not deprive the banker of the protection afforded by s. 82 of the Bills of Exchange Act, 1882. In other words, the mere fact that a banker credits a customer with the amount of a cheque, does not make the banker holder of that cheque on his own account. If, on the other hand, it did make him holder, on his account, and the customer had had no title to the cheque, the banker would be liable to the true owner.

The object of the *Ground Game (Amendment) Act* (c. 21) is to prevent the suspension, between August 31st and December 11th, of the right under the Ground Game Act, 1880, of the occupier of unenclosed hill lands to kill and take ground game from operating to the undue prejudice of the occupier. The Act gives the joint right to the owner and the occupier between August 31st (as originally proposed it was March 31st) and December 11th, while maintaining the object of the suspension so far as to prohibit the use by the occupier of firearms during that period. The Act also enables agreements to be made either for keeping down the ground game or for killing and disposing of marketable ground game during the same period for the joint benefit of owner and occupier. The owner or shooting tenant, on the one hand, and the occupier, on the other hand, will be each prevented from accumulating rabbits to the detriment of the agricultural value, by the power of the other to kill at pleasure.

Under the *Musical Copyright Act* (c. 36) a court of summary jurisdiction may in certain cases grant search warrants to the police to forcibly enter upon premises and seize "pirated" music.

Another Act of considerable importance is the *Trade Disputes Act* (c. 47). It further amends the law of conspiracy in the case of trade disputes by enacting that an act which, if done by one person, would not be "actionable," shall not be "actionable" by reason of it being done by two or more persons in combination. It legalises peaceful picketing in contemplation or furtherance of a trade dispute. It removes the liability that a person hitherto was under who induced some other person to break a contract of employment, or who interfered with the business of some other person, or with his right to dispose of his capital or his labour as he wills. And every action of tort against a trade union, its officials, or members, is prohibited. The history of this Act is recent and well known; it was passed to remove from trades unions that liability under which they were supposed to be placed by the *Taff Vale* decision.

The *Merchant Shipping Act* (c. 48) amends the previous Merchant Shipping Acts in certain matters. The British load line provisions are applied to all foreign ships while they are within any port in the United Kingdom. The existing power of detaining foreign ships which are unsafe through being overloaded is extended to ships which are unsafe through defective equipment, and the law affecting the loading of British grain ships is extended to foreign grain ships arriving at a port in the United Kingdom.

Other matters dealt with by the Act are passenger and emigrant ships, seamen's food, and the relief and repatriation of distressed seamen, and seamen left behind abroad, changes being made in the earlier Acts on all these points so as to adapt them to modern requirements.

It is also interesting to see that the period of service required as a qualification for the rating of "A.B." has been reduced from four years to "three years before the mast."

Another Act of great importance is the *Census of Production Act* (c. 49), under which a census of production will be taken in 1908, and subsequently at such intervals as the Board of Trade shall determine. Every person carrying on a trade or business as mentioned in the Act will have at each census to make a return to the Board of Trade giving details of his business, the output, the number of working days, the number of persons employed, the power used or generated, &c., but not the amount of wages.

The *Notice of Accidents Act* (c. 53) carries out, as far as regards mines and factories, certain recommendations contained in the Report of the Departmental Committee appointed in 1901 to inquire into the notification of industrial accidents. As regards mines, the chief effect of the Act is to make more definite the existing requirements as to reporting accidents causing serious personal injury, and, by requiring annual returns of accidents, to bring a much larger number of accidents under the notice of the Board of Trade. As regards factories, an alteration is made in the period of disablement, which makes an accident reportable; in the case of special classes of accidents reportable to both the certifying surgeon and the inspector, the period now is one day's absence, whenever the absence occurs, instead of five hours on one day in the three days following the accident; and, in the case of accidents reportable only to the inspector, the period is now, under the Act, seven days' absence, though at first it was sought to make a fourteen days' absence necessary.

The new *Workmen's Compensation Act* (c. 58) repeals the previous Acts of 1897 and 1900. This is mainly a codifying measure, but does also enact new law. The great difference between the new Act and the old ones is that, while they applied only to workmen employed on or in a railway, factory, mine, quarry, engineering work, certain buildings exceeding thirty feet in height, and in agriculture, the new Act applies to "any" employment, including domestic and outdoor service, and seamen. Compensation can also be obtained under the Act in respect of "industrial diseases," in addition to "accidents." Provision is made for the appointment of medical referees and arbitration for the purposes of the Act, and employers of labour are to make annual returns specifying the instances and the amounts, in cases where they have paid compensation during the past year. The Act comes into operation on July 1st, 1907, and it is already giving rise to a new class of life and accident assurances.

III. Of the Acts *relating to Great Britain* alone, the only one which need be mentioned here is the *Agricultural Holdings Act* (c. 56). The object of the Act is to amend the former *Agricultural Holdings Acts*, so as to provide the tenant farmer more security for his capital, and greater freedom to apply money and skill in the most profitable way to his work. The chief additions or modifications are:—(i.) Compensation to an outgoing tenant of such an amount as represents the value of his improvements to the incoming tenant; (ii.) compensation for damage done to crops by game; (iii.) compensation for "unreasonable" disturbance; (iv.) freedom of method of cropping arable lands, and of disposing of crops, provided that the holding is not allowed to deteriorate.

The original proposal to appoint official agricultural arbitrators with local jurisdiction to decide all matters in dispute between landlord and tenant did not in the end materialise.

The Act comes into operation on January 1st, 1909.

IV. Among the Acts *relating to England and Ireland*, the *Open Spaces Act* (c. 25) should be mentioned.

The various enactments relating to open spaces which were framed primarily with reference to London, but have been subsequently extended with modifications to the rest of the country, were in a very confused condition. The object of the *Open Spaces Act*, 1906, is to consolidate these enactments, without making any important alteration of law. The scheme of the Act is to enable all open spaces and disused burial grounds, no

matter in whom they are vested, to be transferred to the local authorities to be held upon trust. The local authorities are to maintain the open spaces and disused burial grounds taken over by them, and may make bye-laws, and, if necessary, provide for their expenses by borrowing. The provision in the Disused Burial Grounds Act, 1884, that no building shall be allowed on such a burial ground save the extension of a church or chapel, a provision which came under the consideration of the House of Lords in the recent case of *Boyce v. The Paddington Borough Council*, is in no way affected by the new Act.

V. Two Acts apply to *England and Wales* alone—the *Public Trustee Act* (c. 55) and the *Education (Provision of Meals) Act* (c. 57). The former Act, which comes into operation in 1908, is of considerable importance; it establishes for the first time the office of a public trustee, who is a corporation sole with general power to act in the administration of estates of small value, to act as a "custodian" trustee, or as an ordinary trustee, or to be appointed to be a judicial trustee. He may act alone or jointly, and shall have the same powers, duties, and liabilities as a private trustee acting in the same capacity. The expression "custodian" trustee requires some explanation; the public trustee may, with his consent, be appointed custodian trustee of any trust, either by (a) the court, (b) by a testator, settler, or other creator of any trust, or (c) by any person having power to appoint new trustees of a trust. The trust property shall thereupon be transferred to the custodian trustee, while the management of the property and the exercise of any power or discretion remains vested in the trustees other than the custodian trustee. The custodian trustee is to have custody of all securities and documents of title relating to the trust property.

As an ordinary trustee, the public trustee may be appointed to be trustee of any will or settlement in the same manner as if he were a private trustee.

The consolidated fund of the United Kingdom is to be liable for all the liabilities of the public trustee; he is to be appointed by the Lord Chancellor, with a staff of officers, and he is to charge sufficient fees for his services so as to render his office self-supporting.

The same Act contains important provisions for the investigation and auditing of the accounts of ANY trust, on the application of any trustee or beneficiary.

By the *Education (Provision of Meals) Act* (c. 57) a local

education authority may take such steps as they think fit for the provision of meals for children attending any public elementary school in their "area." There shall be charged to the parent of every child in respect of every meal furnished to that child "such an amount as may be determined by the local education authority." Where the parents cannot pay, the authority may supply the cost of meals out of the rates, when any of the children are "unable, by reason of lack of food, to take full advantage of the education provided for them."

VI. Two Acts apply to *Scotland* only. By the *Education of Defective Children (Scotland) Act* (c. 10), school boards in Scotland have power to make special provisions for the education, medical inspection, and conveyance to and from school of "epileptic," or crippled, or "defective" children between five and sixteen years of age, and to defray the cost thereof out of the school fund. The expression "epileptic children" means children who, not being idiots or imbeciles, are unfit, by reason of severe epilepsy, to attend the ordinary schools; and "defective children" means those who, not being imbecile, and not being merely dull or backward, are, by reason of mental or physical defect, incapable of receiving proper benefit from the instruction given in the ordinary schools. The *Fatal Accidents and Sudden Deaths Inquiry (Scotland) Act* (c. 35) amends the law as to inquiries into fatal accidents, and makes further provision for inquiry into sudden and suspicious deaths in Scotland. The sheriff's jury are required to set forth in their verdict upon an inquiry into cases of accidental death, the precautions by which the death might have been avoided, and other facts disclosed by the evidence which, in their opinion, are relevant to the inquiry.

Also, provision is made that in case of every sudden or suspicious death in Scotland, an inquiry shall be conducted as publicly as though it had been caused through an accident.

VII. There have been several Acts dealing with *Ireland* alone, of which the most important are the *Labourers (Ireland) Act* (c. 37) and the *Town Tenants (Ireland) Act* (c. 54). The former Act extends the provisions of the existing "Labourers Acts" with regard to the provision of accommodation for labourers on estates, by giving further powers with this object to the district councils under the Local Government Board. The Act further provides for the application of a portion of the Ireland Development Grant and the Irish Land Purchase, and other funds for the same purposes; in each year the district councils are to

forward returns to the Local Government Board, giving particulars of the number of cottages and allotments provided under the Labourers Acts, the rents reserved, the number of cottages or allotments unoccupied, and the number of cases and the total amounts where rents are in arrear.

The other Act was passed to improve the position of tenants in urban districts, towns, and villages in Ireland. Such a tenant on quitting his holding may claim compensation for improvements made by him or his predecessors in title.* He is also entitled to compensation for the loss of goodwill and the expense of removal, where the landlord "unreasonably" terminates or refuses to grant a renewal of the tenancy, or demands an increase of rent as the result of improvements effected by the tenant.

VIII. The last Act to be noticed is the *Isle of Man (Customs) Act* (c. 18), which reduces the additional export and import duty on tea imposed by the *Isle of Man (Customs) Act, 1900*, to 1d. a lb. The additional export and import duties on tobacco, spirits, ale, and beer imposed by the same Act are continued for another year.

MONTAGUE BARLOW

THE STATE AND SMALL HOLDINGS.

BEFORE this article appears in print we shall know whether or not the King's Speech contains any promise of Small Holding legislation during the coming session, but, if not, it cannot be long delayed. Public interest is now so thoroughly aroused as to the importance of this phase of the Land Question, and the Departmental Committee's Report issued at the close of the year will materially strengthen the hands of those practical politicians who desire to fulfil their election pledges in this particular.

The Committee, with one exception—Mr. Jesse Collings—have come to a unanimous report, and, in comparison with the report of a similar committee which sat in 1890, it marks great progress towards the hoped-for goal of free and easy access to the soil by all those who desire and know how to cultivate it.

As Mr. Jesse Collings will doubtless have a considerable following in the country, it may be as well to consider his position in some detail before passing on to the Committee's report and to the legislation therein proposed. All those who have read Mr. Jesse Collings' most interesting book on the Land Question, or who, like myself, know something of his many years' devotion to the Allotments Question (in my part of the country we first

succeeded in securing allotments of charity land after a personal visit from Mr. Collings), will, I am sure, differ from him with considerable regret. Up to a certain point, however, we go together. Mr. Collings says in his separate report :—

“To the third and chief recommendation of the Committee I have an objection that I cannot overcome. I regard it as a retro-grade step. . . . The proposal is, that in addition to the experimental action of the new Central Department State loans should be granted to private landowners for the provision and equipment of small holdings throughout the country, such loans to be at the lowest rate of interest possible without loss to the Treasury.”

I should hardly call this the “chief” recommendation of the Committee, but so far I am entirely with Mr. Collings that it is impossible to overcome the objection to any further proposals to lend money to private landowners. We have tried this system for other purposes, and it has signally failed to accomplish the object we had in view. It would, in my judgment, fail in this instance. If it is good to have small holdings, and if they can be worked, as we contend they can, upon a satisfactory economic basis, then let the State representing the nation, or the local authority representing the people of the district, provide them, and let the good or ill which may accrue be shared in some degree by all. At any rate, if this method of advancing money to landowners for the purpose of developing small holdings is urged by Parliamentarians, let it take its place, not as a *chief* corner-stone of legislation, but as quite supplementary to the main structure.

It is from this stage I part company with Mr. Jesse Collings. The Committee recommend that legislation should further strengthen the hands of local authorities, that a central authority should also be set up, to both of which proposals there appears to be a general agreement. But Mr. Collings stands out and says: “With these recommendations, so far as they go, I am in agreement, though I consider they are quite inadequate to meet the requirements of the case”; and then he launches his scheme of “occupying ownership,” as detailed in his recently published book and in the Bill which he had before Parliament last session. Ireland is freely quoted as an example of what can be done by the aid of State loans in creating peasant proprietors, where tenants who are occupiers, by an annual payment of less than their present annual rents, can in sixty-eight and a half years become the owners of the freehold. But is it practicable or, even if practicable, is it wise to legislate for

England on Irish lines? I think not. In most cases the Irish tenant and his father before him have been in possession of their present holdings, and the buildings, such as they are, have been erected by them, and they have created the tenant-right. That is not so with the small holders we propose to recreate in England; and the evidence, so far as it has been obtained from would-be tenants in England, is in the main favourable to fixity of tenure at fair rents. Mr. Collings complains that the Committee received no evidence from the men themselves as to purchase or hire. It is true, I believe, that only one small holder from Cheshire gave evidence before the Committee, but I venture to think his evidence was representative; it certainly is what would have been said by our Lincolnshire tenants. Mr. Yerburgh interrogated the small holder as follows:—

“Do you think you would have done better as a small freeholder than you have done as a tenant?—Witness: Not so long as one has a good landlord.

You think that given a good landlord tenancy is better than freehold?—I fancy so.

I suppose if a man has a tenancy he is more free to take advantage of any opportunity that occurs to take a larger holding if he prospers?—Yes; the landlord generally gives him the chance.”

And so a tenant has a better chance of rising in the scale? Yes.

Going back twenty-five years to the Royal Commission on Agriculture (1882), I find this question of peasant proprietorship was carefully studied and reported upon. The Commission “did not recommend artificial stimulation of a system which they regarded as ill adapted to the habits of the people or to the condition of agriculture in this country”; but more forcible than that expression of opinion are the hard facts of experience. In the middle of the last century unsuccessful attempts were made to establish peasant proprietors in Oxfordshire, Gloucestershire, and Worcestershire. Then, so recently as 1885, we had Lord Wantage’s failure in Cambs and Essex, and several partial failures such as the Methwold Colony in the part of Norfolk I have the honour to represent in Parliament. Mr. Jesse Collings may say these schemes have not had all the advantages of cheap money. But some of them have. The Small Farms and Labourers’ Land Company in their report for 1889 say: “The directors have been somewhat disappointed in finding so few in a position, or with a desire, to purchase small holdings even on the very easy terms of repayment by instalments offered by

the Company." Some of the reasons given for this preference for renting rather than purchase are :—

" (1) Once a man has invested his money in a small holding he loses the opportunity of removing himself and his capital to a larger farm where he might be able to make increasing profits. (2) Men prefer to utilise every penny of their capital in stocking their holdings. (3) Difficulties that would probably arise on the death of a small freeholder with the family if all his property consisted of a small freehold."

These undoubtedly are real preferences which are almost universally felt amongst the hundreds of would-be small holders whom it has been my privilege to interview during my chairmanship of the Lincolnshire and Norfolk Small Holdings Associations. No proposals of Mr. Collings' that a man may become absolute owner in sixty-eight and a half years of ten acres of land can be put in the scale against the opportunity to increase his occupation, as a tenant at a fair rent, every now and then until it reaches fifty to seventy or more acres in extent, especially if a house and buildings is provided and included in the rental. But when all is said and done, and with this I leave Mr. Collings, the Departmental Committee in their Report do meet him a considerable way, for they say : " Whilst recognising the advantage that small holders should become freeholders, in view of the great body of evidence in support of the contention that many prefer tenancy, the Committee would leave it optional to the Board (*i.e.*, the new central authority) to act in accordance with the particular circumstances of each locality."

To return to the main report. The heart of it is this : " That any new scheme cannot be applied generally to the whole country, but must be both elastic and vary with the circumstances of each district." So far as the Act of 1892 is concerned, " most of the County Councils, beyond appointing a Committee, have done nothing more." This Committee should have considered whether the circumstances of the county justified the Council in putting the Act into operation, instead of which the Committees waited until applications reached them for specific land in a specific district. In this the Departmental Committee think County Councils have misconstrued the intention of the Act. But they do not hesitate to say (par. 48) that in the three counties where the Act has been put into successful operation " it has clearly been due to the public spirit and enthusiasm of one or more members of the Council "; and then follows this significant sentence : " It may not be unfair to suppose that, had the matter

been undertaken by some *one member* of many other County Councils, results not less satisfactory might have been attained elsewhere." Exactly so! It has been the administrators rather than the law itself which has failed, and therefore, whilst giving the County Council a further opportunity, by amending the Act of 1892 in certain particulars, especially by giving them greater powers of hiring land (at present County Councils can only hire in cases where through its proximity to a town its suitability for building purposes, or any other special reasons, the land has a prospective value—in all other cases it must be purchased), the Departmental Committee boldly say: "Any further development of the division of land into small holdings must be taken by a central rather than a local authority, and experiments (an unfortunate term) so conducted shall fall on the taxes rather than the rates, and further the central authority should have *compulsory* powers of purchase."

This is the declaration of policy we have been hoping for, and, in my judgment, it is worth all the other recommendations put together. I do not like the suggestion that it should be an "experiment," because I think we have got beyond the experimental stage; but if the Board of Agriculture is given real power to appoint Small Holdings Commissioners with adequate public funds at their disposal, and with the assistance of local committees—such as they have in New Zealand, where the administration of land sub-division is carried out by means of local boards (ten districts with six men in each district paid out-of-pocket expenses, with the Crown Commissioner as chairman), then I am sure the movement will be far-reaching, because Parliament itself will directly control the undertaking, and the people's representatives will not rest content with mere experiments when they see how successfully these Commissioners and local committees are doing their work.

I have only just space left to note one grave omission in the report. There is no recommendation that land taken compulsorily should be at its fair market value. Under the existing law land taken compulsorily for allotment purposes has to be purchased at 10 per cent. above its market value, *plus*, of course, the expenses of putting the compulsory machinery into operation—*i.e.*, valuations, arbitrations, &c. Thus the first land I was instrumental in securing under the compulsory clauses of the Allotment Act was worth in the open market about £50 an acre, but by the time we got the men in possession they were saddled with 84s. per acre rent, and they have paid that rent

for the last fifteen years. We must safeguard small holders of the future against such excessive rents by giving the landowner a fair market price and no more. If we do that, we can put houses and buildings on the land, let the holdings at fair, economic rents, and certainly in the part of the country I know best quickly re-populate our agricultural parishes with small cultivators living under the wing of the State with such conditions of tenure that none can make them afraid.

R. WINFREY

RURAL HOUSING.

Report from the Select Committee on Housing of the Working Classes Acts Amendment Bill. Price 1s.

THE recently published report on "housing" in rural districts will be found full of interest and full of instruction. It reveals the fact, with which many persons have long been familiar, that the problem of how to provide healthy dwellings for the working classes in the country demands a solution as urgently as—perhaps more urgently than—it does in the town. Conditions and difficulties may differ, but the central truth, that the vital capital of the nation is being destroyed by overcrowded and insanitary tenements, holds good in either case. We have here pictures of cottages containing only two rooms, and differing hardly at all from the hovels in the West of Ireland; we are told how the rain drips through the rotted roof, how the only water-supply is a dip-hole by the road, how there is no pretence of drainage outside, and how, inside, the windows are not made to open—in short, we learn that human beings are living amid circumstances to which we should be ashamed to expose our horses and our cattle.

The Committee are concerned with two distinct problems. In the first place, they are anxious to discover how, in the face of sanitary laws and inspectors of nuisances, the present deplorable state of affairs has been allowed to continue. Secondly, they endeavour to ascertain the causes which militate against an adequate provision of healthy dwellings. The remedies suggested fall into corresponding divisions, and turn on proposals to control individual enterprise, on the one hand, and to supplement individual enterprise on the other. As usually happens, evils are easier to explain than to cure.

The Committee experience little difficulty in discovering the

reason of the continued existence of cottages which have long since merited condemnation. "The insanitary and, indeed, deplorable condition of much of the existing cottage property at the present moment," they write, "must be attributed to the perfunctory administration of the ample powers those authorities possess under the Sanitary Acts and Part II. of the Housing Act. Some witnesses have told the Committee that there is practically no inspection in rural districts, others that more inspection is needed. To such lengths has non-administration gone that many witnesses have lost all faith in this branch of local government."

The rural district council is the sanitary authority, and the area of a rural district is small. The members are too intimately connected with the neighbourhood or too directly interested in land and housing to act with vigour and justice. They are often ignorant, frequently prejudiced, sometimes benevolent, but rarely far-sighted. To one thing alone they hold fast—the power to control the action of their officers. If the appointment of the sanitary officers is made with the consent of the Local Government Board, the latter pay half the salary, but their consent is necessary in the event of dismissal. To this condition very few councils have agreed; they prefer to pay the whole salary themselves.

In consequence, the salary is low, and good men willing to devote their whole time to the work cannot be obtained. The medical officer retains his private practice, and naturally is unwilling to condemn the cottage property of his patients. The inspector of nuisances is also the road surveyor, and the good condition of the road excites much more general interest than the good condition of the labourer's cottage. Further, he is particularly careful "to avoid friction with the appointing authority," who may also dismiss him, and hesitates to deal drastically with nuisances for fear of himself becoming one.

The Committee feel "that if any real improvement is to be effected it can only be by drastic change in the character and administration of the law." They therefore propose "that the administration of the Public Health Law should be transferred to the County Council." They rightly assert that the larger body obtains better and less self-interested members, can afford to pay larger salaries, and so attract into its service more competent officers.

They next suggest that "every house and tenement in rural districts of a certain specified value (which might be not more than £20 a year if let as one house, or of an equivalent value

if let as tenements) should be entered in a register." The register will contain particulars as to number of rooms and occupants, area of site, water-supply, state of repair, and the like.

The suggestion is admirable, and should certainly be adopted. Taking into account the various requirements needed in a healthy home, it would not be difficult to arrive at a figure which should stand as a sort of "health factor" for the county, so far as housing is concerned. The Local Government Board should make a variable grant to the councils; this grant should increase if the "health factor" increased, and decrease if the "health factor" decreased. With a "health factor" for houses might easily be combined "health factor" dependent on general mortality and, in particular, infant mortality. If this proposal were added to the proposal of the Committee, the value of the effect would be enormously enhanced. Nothing appeals to a local authority like the possibility of earning an increased grant—witness the persistent practice, prevalent among the old School Boards in the Midlands, of teaching navigation in the elementary schools as long as a high grant was attached to that subject.

The second problem which exercised the attention of the Committee is concerned with the dearth of dwellings and with proposals for meeting this house famine. The reason for the famine is obvious. The Committee make it perfectly clear that in agricultural districts the labourer, at his present wages, cannot afford to pay a rent sufficiently large to make the building of cottages a remunerative undertaking. In the more remote districts two shillings a week appeared to be as much as he could be expected to give; and cottages cannot be built on such terms. The result is obvious; when cottages fall into disrepair, it is more economical to let them fall into ruins than to set in hand extensive alterations. Old cottages then become uninhabitable, and no one is anxious to erect new ones. The famine therefore steadily increases in severity.

The Committee make various proposals which in the main turn on the provision of cottages by the local authorities. First, land must be bought as cheaply as possible, and no fancy prices paid. The authority must therefore have power to buy land at a sum determined by the rateable value of the property. Next, building must be done as cheaply as possible, and the larger body of the county council is more likely to secure this end than a number of district councils. The administration of the Housing Law "should be transferred to the county council, leaving, however, to the rural district council the power to exercise, if it

thinks fit, Part III. of the Housing Act of 1890, concurrently with the county council."

But even under these conditions there will be some loss on the undertaking. After making assumptions as to cost, which certainly err on the side of minimising the expense rather than exaggerating it, the Committee calculate that the annual loss per 10,000 cottages built at £200 (including land) on loans repayable in sixty years at 3 per cent. would be about £32,000 a year. Other figures on other assumptions are also given. The Committee suggest that to necessitous areas grants should be made from imperial taxation.

To criticise the calculations is not possible, since many of the details are omitted. But there is no need to do so, as the one factor of importance is not affected. Under any assumptions as to cost of building, the provision of cottages cannot be placed on a remunerative basis; the wage of the labourer will not allow of the payment of the rent required. There must therefore be a grant in aid of wages. Further, if local authorities provide cottages at less than cost price, and if in addition they stringently enforce the sanitary regulations, private individuals will in course of time cease to be the owners of tenements leased to the working classes, who will therefore be lodged in accommodation supplied by the county councils.

There can be no doubt that this proposal of the Committee will meet with considerable criticism. Those who believe that the final word on the question of a rate in aid of wages was spoken by the Poor Law Commission of 1830 will certainly condemn it outright. On the other hand, we should do well to remember that if the proposal involves a rate in aid of wages, it also implies a rate in aid of health; and if we must choose between racial deterioration and racial amelioration coupled with a rate in aid of wages, there can be little question of the choice the saner members of the community will make.

There is, however, a third alternative, not mentioned by the Committee, but worthy of the most sober consideration. To the present writer the facts revealed in this report supply an unanswerable argument in favour of a national minimum wage—in other words, the State must say that if a man is to be employed at all, he must be paid a wage, varying with the locality, which will put within his reach the necessities of a healthy existence. While the proposals of the Committee should be adopted as a temporary expedient, we must not reconcile ourselves, for all time, to a type of social organisation in which a large portion

of the population cannot attain to the full measure of a man's strength without drawing on resources other than those of his own energy and the work of his own doing.

REGINALD A. BRAY

THE REPORT OF THE VICEREGAL COMMISSION ON THE IRISH POOR LAW.

THE Viceregal Commission, whose report was presented in October, 1906, consisted of three members—Mr. W. L. Micks, one of the Commissioners of the Local Government Board (chairman); Dr. E. Coey Bigger, one of the Medical Inspectors of the Local Government Board; and Mr. George Murnaghan, M.P. for Tyrone (Mid). They visited all parts of Ireland to inspect workhouses and examine witnesses (743) on the spot, and invited all persons interested in poor relief to put their views before them. They recommend a complete reconstruction of the system of poor relief. At present all classes are brought together in one workhouse for each union. They recommend that this system of *aggregation* should cease, and that workhouse inmates should be *segregated* according to their condition—that is, in place of the 159 workhouses for all classes, the sick should be treated in hospitals (159); the infirm and aged in almshouses (32); the lunatics in asylums; the infants with their mothers in "nurseries" (17); the vagrants, casuals, and adults of bad character in labour houses (4).

The Sick.—On March 11th, 1905, there were 14,491 sick persons in workhouse infirmaries and fever hospitals, but of these not more than 6,708 were acute cases requiring medical care or skilled nursing. The remainder, in the opinion of the Commissioners, should be classed as infirm, and maintained in almshouses, along with the aged. But, in addition to the 159 workhouses and fever hospitals, there are 34 county infirmaries and 14 county fever hospitals. These are outside of the Poor Law Administration, but are supported in part from public funds—the county rate. They are much superior to the workhouse hospitals, but vary a good deal, some being almost on the level of modern and well-equipped surgical hospitals. It is proposed that all these hospitals should form one system arranged on a county basis. The county infirmaries should be fully equipped for the most serious cases, medical and surgical. The workhouse hospitals should be maintained in numbers as at present, equipped

according to a uniform standard, and called district hospitals. Each district hospital should be managed by a committee appointed by the guardians of the union, partly from their own number, and partly from resident ratepayers. The county hospital should be managed by a committee consisting of all the members of the committees of district hospitals in the county, with the addition of, say, nine members appointed by the county council.

The Commissioners recommend that about twelve sanatoria for consumptives should be established, to be managed by committees representative of the county committees; also that a few cottage hospitals should be established in places remote from any district hospital, and that by a system of district nurses maintained by the co-operation of private and public bodies the poor in every district should have the benefit of skilled nursing in their own homes. In order to ensure the appointment of fully-qualified medical officers, and to give them an opportunity of advancement in their profession, the Commissioners recommend that the medical officers should be formed into a State medical service, to which entrance should be by competitive examination open only to men educated in Ireland. Appointments to all hospitals should be made from the members of this State service, by a medical council of four representative Irish surgeons and physicians, along with the medical commissioner of the Local Government Board. The power of appointment being thus withdrawn from the Guardians, the Commissioners recommend that the whole of the salaries of the medical officers should be paid out of the exchequer instead of half, as at present—involving an additional grant of £67,113 per annum.

Lunatics.—On March 11th, 1905, there were 3,165 insane persons detained in Irish workhouses. They are kept in separate wards, but no special treatment is provided for them.

Under the Local Government Act, 1898, an auxiliary asylum has been set up at Youghal, County Cork, with satisfactory results. The Commissioners are of opinion that harmless lunatics can be properly cared for in establishments fitted up and staffed on a much less expensive scale than the district lunatic asylums, and accordingly recommend that harmless lunatics should be maintained in auxiliary asylums, managed by a committee representative of the county committees, which may be united for this purpose.

Sane Epileptics.—On March 11th, 1905, there were 463 sane epileptics in workhouses, and of these 131 were kept in lunatic

wards. These ought to be kept in a separate institution, and it is recommended that two disused workhouses should be reserved for this purpose, and that a payment of 2s. per head should be made from the Exchequer towards their maintenance.

The Infirm or Aged.—On March 11th, 1905, there were 14,380 persons classed as aged and infirm in workhouses, and 29,654 persons "disabled by old age or infirmity," with 5,447 dependents, received outdoor relief. The Commissioners recommend that persons who are infirm, whether from old age, bodily weakness, or chronic sickness, should be maintained in almshouses, one for each county. The number to be provided for in this way on the basis of the figures already given would be 14,380 aged and infirm, and 7,042 then classed as "sick," and there would also be some of those now classed as "able-bodied." They recommend that irksome conditions might be relaxed in the case of the deserving, classification being based not on previous conduct, but upon conduct in the institution. They add that the guardians should have power to pay for the support of the aged in institutions maintained by religious communities or the trustees of existing almshouses. The county almshouses would be managed by a committee representative of the unions in the county with the addition of a limited number of residents to be co-opted. Some persons fear that the reluctance to send persons to a distance from their homes will lead to a great increase in outdoor relief. To check this tendency, the Commissioners recommend that outdoor relief should be again made a charge upon the electoral division (instead of the union), as it was prior to 1899.

Children.—On March 11th, 1905, there were 5,900 children (2,764 illegitimate and deserted, 3,136 legitimate) in workhouses; 428 in district and certified schools, and 2,119 were boarded out. The Commissioners recommend that all children except infants should be boarded out, and that the guardians should assume the control of children whose parents are unfit to have charge of them. Children who, owing to age or other causes, cannot at once be boarded out should be placed temporarily in industrial or certified schools. A thoroughly efficient system of inspection should be organised, and lady inspectors, in addition to the two now employed, should be appointed.

Infants.—The Commission recommends that infants, so long as they require to be with their mothers, should be maintained in a few district nurseries and one general nursery, the mothers being classified according to character. A woman with her first

child should be sent to a district nursery—in which no other adult woman would be placed, or to a philanthropic institution, if such were available—every effort being made to prevent these women drifting into a career of vice. Women with a second or subsequent child would be sent to one general nursery for all Ireland, their infants would be boarded out as soon as possible, and the women then committed by a court of justice to one of the labour houses to be established for vagrants and other persons of bad character, perhaps for “as long as it was necessary to support any of her children at the public cost.”

Able-bodied.—On March 11th, 1905, there were 4,667 persons classed as able-bodied in Irish workhouses—vagrants, 878; casuals, or ins and outs, 813; all others, 2,976. The Commissioners recommend that pensioners, ex-soldiers, and militiamen should be handed over to the War Office to be maintained out of Imperial funds in a disused workhouse; also that four labour houses should be established for vagrants and casuals, to which the inmates would be committed by the magistrates for periods up to three years; these labour houses to be under the control of the General Prisons Board, and maintained out of Imperial funds; guardians are to have power to send persons with their own consent to these houses, and in this case the guardians would pay for their maintenance at the rate of the general average cost per inmate in the labour house to which they are sent.

The Unemployed.—The Commission recommends that casual wards should be continued or established in Dublin, Belfast, and Cork, and possibly in Limerick and Waterford. In these, applicants would be relieved pending a decision as to whether they should be sent to an institution or get outdoor relief. Relieving officers would have power to assist working men who furnished evidence that they were really seeking employment, by providing food and lodging, and by giving them a permit which would entitle them to food and lodging from all relieving officers on their route. The Commissioners state that a good many of those now classed as “able-bodied” are really physically unfit for work, and recommend that they should be sent to the almshouses.

Outdoor Relief.—The Commissioners recommend two alterations in the law relating to outdoor relief—(1) that the clause which forbids relief to be given to any person who holds a quarter of an acre of land should be repealed; and (2) that a widow with one child should be eligible for outdoor relief. They state that the tendency to increase outdoor relief received a decided im-

petus when, by the Local Government Act of 1898, the union at large was substituted for the electoral division as the area of chargeability. The Commission recommend a return to the system of electoral division rating, and that a special rate should be struck for outdoor relief to bring clearly before the ratepayers the expenditure for this purpose.

Finance.—It is now desirable to present a summary of the financial recommendations of the Commissioners. The existing workhouses are to be utilised as far as possible. It is uncertain how many can be used as district hospitals for the sick. The Commissioners consider that such additional hospitals as may be required should be built out of Imperial funds. They estimate that the following institutions would be required :—Twelve sanatoria for consumptives; thirty-two almshouses for aged and infirm; seventeen nurseries for infants and some mothers; two asylums for sane epileptics, and a number of auxiliary lunatic asylums. For all these the present workhouses would be available, but the cost of adapting them would apparently have to be defrayed from local sources. The workhouses for which no use could be found would be left at the disposal of the Government. As regards maintenance, the following expenses would be laid upon the Exchequer. Whole (instead of half) cost of medical service. Maintenance of labour houses for vagrants and persons of bad or doubtful character. Maintenance of pensioners, ex-soldiers, and militiamen. Grant of 2s. per head for sane epileptics and lunatics in auxiliary asylums. The maintenance of all classes in institutions would be made a charge upon the county at large instead of the union. One of the Commissioners, Mr. Murnaghan, dissents from this recommendation. He thinks the union should remain the area of chargeability. He says : “Only in limited areas can due supervision and proper discrimination be exercised or sufficient attention be given to matters of detail,” and he affirms that the preponderance of opinion on the part of the witnesses was in favour of the present method.

The report has been received with general approval in Ireland, but the difficulties in the way of its adoption are serious. It is not likely that the financial proposals will be considered by the Government apart from the general question of the total expenditure in Ireland from Imperial revenue. The controversy still going on in reference to the charges placed by the Government upon the Irish Development Grant proves how difficult it is for the Irish members and the Government to come to an agreement. The Irish people regard all these matters from the stand-

point of the report upon the financial relations between Great Britain and Ireland, and they claim that Parliament should bear any capital outlay required by a reform of the Poor Law, and contribute additional sums to the relief of poverty in Ireland as a part payment of the debt due to Ireland, and a slight compensation for the excessive taxation still being levied upon their country..

Another obstacle in the path of reform is the objection of Boards of Guardians to any diminution in their powers. The new scheme requires them to delegate their control of hospitals and almshouses to committees, which, once appointed, are independent of them during their period of office, and they are directed to place on these committees some ratepayers other than guardians. Thus the principles of secondary election and co-option are introduced, and modify the direct representation of the electors. The recommendations of the Commissioners would result in greater efficiency and better care of the sick and aged, which is the main end to be attained. On similar grounds the proposal to create a State medical service is opposed. This would deprive the guardians of an important field of patronage, but if it will result in better care for the sick, it should be adopted. Some think that the proposed Medical Council would be another Castle board, but this is not so, as four of the five members are to be appointed by, and representatives of, the medical profession and medical schools.

The Commissioners point out that special assistance would require to be given to some unions in which the county rate would be unduly raised under the new system. They accordingly recommend that a sum of £45,000 should be applied to this purpose out of the new grant recommended by the Royal Commission on Local Taxation. The majority of the Commissioners (that is, the two official members—Mr. Micks and Dr. Bigger—Mr. Marnaghan dissenting) suggest that a national rate should be struck for Poor Law purposes for the purpose of equalising local rates, and that the striking of this national rate should be entrusted to a body of five members, one for each province, elected by the councils of counties and county boroughs, and one nominated by the Lord-Lieutenant on account of Parliamentary grants. The members to be salaried officials, holding office, say, for three years. This body would have power to control estimates, and would have, in regard to the local managing bodies of institutions, functions similar to those of the Treasury towards the public departments of the State. This suggestion

has been subjected to little criticism as yet, but it is significant of the direction in which opinion is moving in Ireland.

The Commissioners prefix to their recommendations an account of the origin of the Irish Poor Law. They point out that the Royal Commission of 1836, along with the provision of poor relief for the destitute, recommended that the Government should endeavour to develop the resources of Ireland so that employment might be provided for the people, and specified reclamation of waste land, arterial drainage, provision of better houses for labourers, reform of land laws, agricultural instruction, local government by county boards in place of grand juries, as some of the directions in which reforms would be beneficial. Their advice was disregarded. The workhouse system was introduced, but the more fundamental matters were left to private enterprise, and it has been only within the last ten or fifteen years that the Government has taken steps through the Congested Districts Board and the Department of Agriculture and Technical Instruction, to assist the economic development of the country.

The Commissioners repeat the warning and advice of their predecessors, saying that "Ireland still requires and is entitled to assistance on a sufficient scale to develop its resources. . . . The low level of subsistence and comfort throughout nearly all Ireland, with the poverty and destitution resulting therefrom, cannot be effectively relieved by any Poor Law relief such as that of 1838."

The importance of these statements is much increased by the fact that they are made by Government officials of great experience and knowledge of the country. Are they to meet with the same fate as the recommendations of the Royal Commission of 1836? The essential question is whether Great Britain will again, as in 1838, disregard the claims of Ireland for financial assistance, in her great need. Seventy years ago the English Government shaped the Irish Poor Law to benefit herself, provided relief for the destitute in Ireland, and made this the excuse for enacting that Irish persons who became destitute in England should be sent back to Ireland, but refrained from giving Irish authorities any power to send back to Great Britain any English or Scotch who became destitute in Ireland.

We may hope that a different spirit will be shown now, and that the Liberal Government will not allow financial complexities to stand in the way of granting to Ireland the financial assistance necessary to establish the system of poor relief for the sick

and helpless classes now recommended by the Viceregal Commission.

In 1906 a Royal Commission was appointed to inquire into the whole question of the relief of the poor and the want of employment in Great Britain and Ireland. This inquiry is now in progress, and evidence will be taken in Ireland in due course. There will be a general inclination to postpone action in Ireland until this Commission has reported. I do not think such postponement necessary, but, having regard to the matters already engaging the attention of the Government, it is well to consider how the interval may be utilised to the best purpose. I would suggest that the Royal Commission should take the report of the Viceregal Commission as the basis of their proceedings in Ireland. They should invite any one who desires to support or oppose the recommendations of that Commission, or make other proposals, to send in a statement of their views, and submit to be examined on the subject.

Some of the proposals, as, for example, those relating to finance and to persons of bad character (especially women), are novel and far-reaching. They cannot be fairly judged without reading in full in the report the facts and arguments brought forward by the Commissioners. May I, in conclusion, express the hope that this extremely interesting and important State-paper may be read in its entirety before passing judgment upon the recommendations which it contains.

CHARLES EASON

INSURANCE AGAINST WANT OF EMPLOYMENT.

A short report on a Norwegian law and a Danish Bill.

In this question, a close race has been run between Denmark and Norway. Norway came in a good first, setting a precedent to the world¹ by putting on the statute-book a law about *insurance against want of employment*.

The two reports upon which the Danish Bill and the Norwegian law are based have a very different character, owing to the different composition of the two commissions. The Norwegian commission was composed of an employer, an employee, and a professor in political economy; the Danish commission numbered nineteen members, partly elected by Parliament, partly appointed by the Government—amongst which nine were farmers, one a

¹ The public grant to the unemployed in France does not amount to anything worth mentioning.

workman, and no employer! The Norwegian report has paid very close attention to all the difficult problems met with in the matter at issue, and has given a thorough account of the social and economic causes and consequences of the whole question. The Danish report, on the other hand, has been very careful in passing over all points of importance about which the least difference of opinion between the members of the commission might occur. (This is largely due to the fact that the Danish farmers are suspicious towards measures for the benefit of townspeople.) To the student of insurance against want of employment, the Norwegian report, therefore, is of very great value; the Danish—with the exception of the Bill and some Trades-Union statistics—of very little interest.

Both the Norwegian law and the Danish Bill are based on the principle: *aid to self-aid*—both provide that registered unemployed—insurance—societies of the workers are entitled to subsidies from the State and local bodies.

NORWEGIAN LAW.

The Treasury of Norway pays *one-fourth of the sum paid by the insurance societies to their unemployed living in Norway*.¹

Two-thirds of the State's subsidy to be paid into the Treasury by the district in which the unemployed stay.

The Treasury is not to recover any outlay to unemployed whose period of sojourn in the district is less than six months.

DANISH BILL.

The Treasury of Denmark pays to the insurance societies a sum equal to *one-third of the premiums*² necessary for the fulfilment of the obligations undertaken according to the bye-laws of the societies—yet altogether no more than 250,000 kr. (£13,700) yearly.

Local bodies *may* pay subsidies to their local societies (or local branches of societies), but no more than one-sixth of the premiums necessary for the members staying in their district. In addition, local bodies are allowed to assist a member with a sum up to one-sixth of his premium.³

The Danish Bill thus renders possible a public subsidy equal to the premiums paid by the working men, and in all greater

¹ 1904 The Norwegian Trade Unions (16,000 members) paid 60,000 kr. (£3,300 in out-of-work pay.

² 1904 The Danish Trade Unions (80,000 members) paid 412,000 kr. (£22,600 in out-of-work pay.

³ This assistance is especially intended for the rural districts.

towns this possibility will no doubt become a reality, the Trades-Unions members having a great influence in the town councils. The Norwegian law, on the other hand, will give no more and no less than one-fourth of what is actually paid to the unemployed.

The Norwegian form of subsidy is based upon the system tried in Ghent; the Danish follows the lines of the existing Danish "law about friendly societies."¹ The fixing in the Danish Bill of a limit beyond which the subsidy must not go, is due to the wish not to frighten the more or less undisguised opponents of the Bill—but the significance of the limit is greatly diminished by a clause which provides a revision of the law in five years. Should the limit be reached before the revision, no doubt the necessary extra grant will be given on the estimates to enable the Treasury to still pay one-third of the premiums.

The chief motive of the Norwegians for preferring their form of subsidy, a grant given in proportion to the Society's expenses to out-of-work pay, was that this form is supposed to give the working men less encouragement to diminish their own premiums towards their insurance, and thereby possibly enlarge the sums paid for other trades-union purposes which the State has no wish to promote. This may or may not be the case. This form, as against the payment in proportion to premiums, certainly does not encourage the collection of funds for reserve, necessary to avoid the very objectionable change of premiums from good to bad years.

The question of control of the societies is not so important as is generally believed. The societies and their members are looking after their own interests, and keeping their eyes open, that only *bonâ-fide* unemployed are assisted—quite in the same manner as friendly societies do. Should a society refuse assistance to an unemployed member he can appeal against the decision in Norway to the home department, in Denmark to a board whose members are elected by the out-of-work insurance societies, and which is presided over by the registrar of those societies. Neither the Bill nor the law gives a positive definition of a *bonâ-fide* unemployed :—

In the *Norwegian law* a society is not allowed to give out-of-work pay, but to *blamelessly unemployed, able-bodied persons.*

Want of employment caused

In the *Danish Bill* a society is not allowed to give out-of-work pay :—

(1) During strikes and lock-outs to the strikers or locked-out persons.

¹ The treasury pays to registered friendly societies 2 kr. per member *and* $\frac{1}{4}$ of the premiums.

by strikes or lock-outs is not regarded as blameless. No out-of-work pay is to be paid to an unemployed person before he has registered at the labour bureau, or if he refuses to accept work that the managers of the society think fit for him.

(2) To sick or invalid persons.

(3) To members whose want of employment is caused either by their *leaving their work without good cause*, or by their excessive drinking, or by their conduct towards employers or fellow-employees.

(4) To members serving their time as soldiers.

(5) To members undergoing imprisonment.

(6) To members taken into custody.

(7) To members in receipt of constant poor-relief.

(8) To members refusing to accept work offered by the society.

What is *blamelessly unemployed* in the Norwegian law and what construction shall be put on "*leaving their work without good cause*" in the Danish Bill? In the trades where the unions lay stress on the increase of the minimum-wage, and where, consequently, the prevailing average-wage will be nearly the same as the minimum, no doubt the State and the society will agree in declaring that a man who, although earning the minimum-wage, leaves his work to try to get higher wages, does leave it without good cause and is to blame. In other trades, where the unions do not care so much for the minimum-wage, but fight for the increase of the average-wage, and where, therefore, the minimum-wage—if such one exists—is far below the average-wage, the societies will think—as the unions have done to this day—that a man has good reason to leave his work when he does not earn what he thinks is a reasonable wage. In those trades the out-of-work pay has most decidedly been a direct part of the fight for a higher standard of life—and will the State give its assistance to this fight? If the State refuses to do so, control of the societies will be necessary, but then it is very doubtful whether several of the greatest unions with the most elaborate out-of-work pay will give up their old freedom for the benefit of the subsidy.

The Danish Bill is on one point the more liberal, namely, in depriving of assistance strikers and locked-out persons only for the length of time the conflict lasts, whereas the Norwegian law

does not recognise any want of employment at all caused by strike or lock-out. No doubt the Danish principle is the right one : the State's aid is to be limited by the consideration only that it should not be partial in a conflict, and no working-man will be frightened from fighting his employer by the risk of losing his out-of-work pay *after* the fight is over.

How to regulate the relations between the trade-unions and the insurance societies has been a difficult task in both countries. Trade-unionism is not as yet so fully recognised in those countries as in England, and the overwhelming majority of the trade-unionists being social democrats, the legislators did not like to show the appearance of favouring the unions. On the other side, no one could fail to see that what is done in regard to unemployed insurance to this day is done by the unions, and that they were possessed of the whole apparatus of insurance societies. The way entered upon then is not to prohibit joint administration of the union and the insurance society, but to prescribe that all funds and accounts of the society are to be kept separate from any other society or union. The insurance society has no right to refuse admission to any decent person belonging to the trade or locality¹ concerned. In other words, it will be impossible for the society to keep outside blacklegs. But to diminish the discontent at such objectionable circumstances, the Norwegian law provides that the members of an insurance society connected through joint administration with a union, who are not also members of a union, shall be *without any influence* upon the administration of the society, *i.e.*, without a vote at the general meetings. The Danish Bill allows the societies, through their by-laws, to keep outside persons "who" appear bodily or *morally unable* to constant industry, or to *co-operate with* their superiors or *their fellow-workers*." The great question is whether these clauses are sufficient to keep the undesirable aloof and prohibit the blacklegs—whose risk of being unemployed certainly is greater than that of the trade unionist—from living upon the premiums of their fellow-workers, and, at the same time, spoiling the work of the union in raising and maintaining the standard of wages. Here, again, it will be difficult for the unions to decide whether they ought to refuse the subsidy, or accept it and run the risk of undoing their own work up to this day by admitting their worst enemies to trouble their ranks. But those difficulties will, I suppose, not be insuperable—in the hands of the unionists. There are always many means of mere personal nature to frighten the undesirables away.

The incorporation of a society, which is a condition of being

¹ Local insurance societies are thought fit for the rural districts.

subsidised, is given to those societies whose by-laws are in conformity with the law. The maximum daily pay is in Denmark fixed at 2 kr.—in Norway to half of the prevailing average-wage. In Norway an unemployed person cannot be assisted for a longer time than ninety days yearly—in Denmark the by-laws are not allowed to fix a less maximum number of days of assistance than seventy.

The significance of the law and Bill lies not only in the possibility that they relieve distress, but in the fact that—once in force—the improved statistics of the unemployed and the yearly increasing grants to the insurance societies will keep the great question of the unemployed before the eyes of the people, and kill the old prejudice that the working-man himself has caused his want of employment.

SVEN TRIER

RECENT OFFICIAL PAPERS.

Report from the Land Values Taxation (Scotland) Bill. 1906. 379.

“THE new standard of rating based upon the yearly value of land, apart from the buildings and improvements upon it, is sound.” “Feu” duties should not be exempted.

Papers Relative to the Working of Taxation of the Unimproved Value of Land in New Zealand, New South Wales, and South Australia. 1906. [C^d. 3191.]

THE New Zealand Commissioner of Taxes and other officials witness in favour of the new system.

Report on the Decline in the Agricultural Population of Great Britain. 1881–1906. [C^d. 3273.]

DECLINE in the number of agricultural labourers [from 984,000 in 1881 to 690,000 roundly in 1901] is observed in all the counties of Great Britain except Anglesea and Flint. The decline is not completely parallel to the diminution in arable land. Labour-saving machinery also reduces the demand. On the side of supply is the attraction of town life with higher nominal wages.

OBITUARY.

LORD GOSCHEN.

By the sudden death of Lord Goschen on February 7th last, the country, it is universally recognised, has to mourn a heavy loss. In this mourning the Royal Economic Society is specially called on to join, not merely on account of his official position in connection with it, but because of the illustration given by his whole career of the value of economic and statistical studies, and of the peculiar fitness for high political office of those whose minds are imbued with business knowledge and sound economic ideas. Many of us have also to mourn the loss of a genial friend, whose encouragement and sympathy were never wanting for works in connection with his favourite studies, and who was always ready to take his part in associations and meetings with the same end in view. He was president, it may be remembered, of the Royal Statistical Society just before he became Chancellor of the Exchequer, and in that capacity, as well as in his office as president of our own society, he did not a little by speech and writing to advance the cause of economic study.

The leading features of Lord Goschen's life and character are tolerably familiar. The son of one of the partners of the well-known City house of Fröhling and Goschen, after a brilliant career at Oxford he entered his father's house, and became a partner at an early age. In that position he was selected as one of the directors of the Bank of England, according to the custom of that institution to associate with its management the younger partners of leading mercantile firms who may be trained when young for holding the offices of governor, deputy governor, and directors "who have passed the chair" while they are yet in the prime of life. Then he wrote his remarkable book on "The Theory of the Foreign Exchanges" (before he was thirty), establishing in a moment his economic reputation; sat as Member of Parliament for the City; joined the Ministry of Lord John Russell formed after the death of Lord Palmerston in 1865, becoming a Cabinet Minister practically without any intermediate probation—(a most unusual advance at that time for a young man, however brilliant, not directly sprung from the aristocratic class),—and finally, on the formation of Mr. Gladstone's Government in 1868, began his real administrative career as President of the Poor Law Board, now the Local Government Board, distinguishing himself in different ways in all his offices, first as President, already

mentioned, next as First Lord of the Admiralty, then as Chancellor of the Exchequer, and finally as First Lord of the Admiralty for the second time, during the years of the Boer war the Fashoda crisis, and the Continental alarms which accompanied these events. The remarkable feature in his political life was a "breach of continuity" between 1874 and 1886, occasioned by his differences from the Liberal party on the County Franchise, so that he could not join Mr. Gladstone's Government of 1880. Consequently, he was out of party politics for some of the best years of his life, from forty-three to fifty-six. In spite of this, his opportunity came, not quite too late, with Mr. Gladstone's Home Rule surprise. The organisation of the Liberal-Unionist secession, and of the Liberal-Unionist agitation against Home Rule, were largely his work, and brought him into the front rank of public men. After that, his services as Chancellor of the Exchequer and First Lord of the Admiralty for the second time attracted the more attention, and form the administrative work for which he will be chiefly remembered; but they were not more remarkable in reality than those of his earlier period from which they are separated by so great an interval. Lord Goschen's final public service occurred after his retirement from office in 1900, when he was nearly seventy—his participation in the work of answering Mr. Chamberlain's advocacy of "fiscal reform."

The career is a brilliant one, in spite of all deductions, but when it is examined only a little more in detail, so as to bring out the results accomplished and the characteristics of the man, our sense of its significance and value is considerably deepened. Take the first period, that of Lord Goschen as a City man, partner of Fröhling and Goschen, author of "The Foreign Exchanges," Member for the City, and a director of the Bank of England. Although but a young man he was, in those days, emphatically a leader in the City—masterful, resourceful, full of energy, commanding the highest respect for the qualities of uprightness, amiability, and modesty, which afterwards distinguished him in politics. The story is told of him that when he and his friends were impeded in a certain financial operation they were carrying through by the Stock Exchange Committee refusing or delaying to give them a quotation and settlement, he carried matters with a high hand by the threat of forming a new Stock Exchange, which he would undoubtedly have carried out if necessary. The story may not be quite true in the form I have heard it, at secondhand only, but it is certainly *ben trovato*. The whole tradition of Lord

Goschen in the City is that if he had not been diverted into politics he would have gone very far, developing a new great house like that of the Rothschilds or Barings, and guiding the City in a great emergency as it was guided by Mr. Bertram Currie in the Baring crisis. It is fortunate for the country perhaps that he did take to politics, and set a new example in that field, but whether in the City or in politics he was bound to have been a foremost leader.

In the next phase of his life, that of Cabinet Minister before 1874, his administrative record is first that of President of the Poor Law Board, and next that of First Lord of the Admiralty. In the former capacity he distinguished himself very greatly indeed. He became a "Committee of one" to investigate the position and history of local finance, and at the same time was chairman of a House of Commons Committee dealing with the whole subject of rating in all its branches. His report on Local Taxation as the "Committee of one" on the subject is the beginning of our official knowledge of local finance, as he brought together for the first time the scattered information available for the previous half-century, compared the results with those of imperial taxation, and with similar information from foreign countries, and laid the foundation for the subsequent Local Taxation Returns at the very date when local finance was becoming, by the development of urban populations and local authorities of every sort, even more important than imperial finance itself. His report is otherwise a mine of information and interest, especially for its demonstration that, contrary to the popular impression, the burden of hereditary rates had not then been increasing but rather diminishing, and for its warning as to the kind of increase of rates which was then in progress or impending. The services of the House of Commons Committee on Rating which Lord Goschen directed were also important. The Report fully described the various and complicated rates and methods of rating which had come into existence, and made suggestions for uniformity and simplicity, including especially the division of rates between owner and occupier as in Scotland. The specific recommendations were "held up" at the time, as happens too often to excellent reports in our Parliamentary system, in which there is hardly ever time for real "spade work." The discussions of the early 'seventies have also been superseded by the later elaborate inquiries of Lord Balfour's Commission on Local Taxation. But the reports of Lord Goschen were the necessary preliminary to what has followed, and he deserves the credit of bringing into order the chaos which had existed till then.

His next administrative work, that of First Lord of the Admiralty from 1870 to 1874, has left a smaller record, but the work was done *con amore*, and Lord Goschen then learnt the lessons as to naval and military defence which he applied afterwards in more critical circumstances. The naval estimates in those days were no more than nine to eleven millions sterling. France was almost the only foreign Power which threatened rivalry with us in naval matters, and France was overthrown, at the beginning of Lord Goschen's period, in the Franco-German war of 1870-71. But even then France was giving indications of naval ambition of a threatening character, and the seed of German aspirations, for those who had eyes to see, was germinating. Lord Goschen was the subject of many theatrical and music-hall jests as to a civilian being the ruler of the "Queen's navee," surely in his case most unfitting, for there was no better disciplinarian or one more imbued with the spirit of the naval profession, and no one better fitted to judge of the imperial necessities for which the navy was required, and to insist, with his political colleagues, that the navy was not to be played with. In those days, as I happen to know, when another minister was at the Admiralty, an order one year had come from the Prime Minister that the estimates of the previous year were not to be exceeded; and when, as a matter of fact, the estimates *were* exceeded, the desired economy was obtained by cutting down the number of men required for a particular branch by 1,000, although the naval authorities had just declared the thousand men to be required! Lord Goschen had never any part in such proceedings, and the incident shows only too well how essential it is that the War Office and Admiralty should be protected by their chiefs against suggestions that endanger the very purpose for which the services exist.

In Lord Goschen's next period, that of his retirement from party politics for ten or eleven years, viz., between 1874 and 1886, he gained distinction outside the ordinary path of politics by diplomatic services. Although they were beginning to differ politically, Mr. Gladstone and Mr. Goschen were akin in many ways, especially in their high ideals and conscientiousness, and Mr. Gladstone, there is ample evidence to show, allowed Mr. Goschen to leave the ranks of his followers most unwillingly. Mr. Goschen up to that time had been his right hand man. Hence Mr. Gladstone's repeated offers of the Viceroyalty of India, and, failing that, of a special mission to Constantinople, in the hope, no doubt, that time would heal the differences and Mr. Goschen would be Minister again. In diplomacy Mr. Goschen

was as successful as he had been in other spheres, perhaps more successful, impressing the Turk with his power, and gaining, in the difficult circumstances after the Treaty of Berlin, a prestige and influence which were most useful for the general peace. Previously, it may be noticed, Lord Goschen, as representing the City, had gained no small success in arranging Egyptian finance, his manner at Cairo, although he had no official mission, being sufficient to overawe the Khedive and put his corrupt ministers to flight. Lord Goschen undoubtedly would have been a great diplomatist, his firmness, perseverance, subtlety, and *suaviter in modo* which had gained him his City fame, finding in diplomacy an even more suitable field.

During this "interregnum," also, if we may so call it, it may be noticed, Lord Goschen's influence was largely exercised outside the sphere of party politics in advising and arranging the business of two important Royal Commissions—the one on Trade Depression in 1885, and the Gold and Silver Commission of the following years, though the latter, perhaps, rather belongs to the period of renewed activity consequent on his return to party politics at the time of the Home Rule split. He had previously (in 1876) conducted as chairman a House of Commons Committee on the Fall in Silver, and to the last was constantly appealed to by, and as constantly advised, ministers on both sides of politics in economic inquiries. One important qualification he possessed for this duty, an open mind, enabling him to appreciate the difficulties of Parliament, Government, and Minister, and the constant importance of fair and full inquiries.

This would hardly be the place to comment on Lord Goschen's appearance as an organiser of the Liberal Unionist campaign against Mr. Gladstone on the Home Rule question. But at least this may be said, that he developed unexpected energy and power, both in organising and in addressing popular audiences. The old masterfulness which he had displayed in the City once more became apparent. His famous remark, *apropos* of Nationalist outrages designed to frighten the party leaders, "Let us make our wills and do our duty," will not soon be forgotten. It was not a mere rhetorical phrase, but expressed his very soul and heart. At first it seemed as if the very success of the Liberal Unionists would deny him an opportunity for exercising his great administrative powers. The Liberal Unionist leaders had arranged with the Conservatives, and it was probably expedient they should arrange, that in the event of success the Government should be purely Conservative, and not a coalition.

Happily for the country, Lord Randolph Churchill threw up the leading post in the Government, a *Unionist* Government, playing his own game; and in the name of the Unionist cause Lord Salisbury called Lord Goschen, the most conservative of the Unionists, to his aid, ensuring the continued triumph of the cause. To this accident it is owing that Lord Goschen had his final experiences of administration, though it is not unlikely, one should say, that another way would have been found, given his supreme fitness and the general recognition of his powers.

His appearance as Chancellor of the Exchequer for the next five years was, no doubt, the most brilliant part of his career. The Chancellor of the Exchequer exercises a general supervision of the finance of the different departments of the Government, and his work is hardly to be appreciated, except in the inner circle of the Government itself. But Lord Goschen, it is well known, was strenuous and active in his miscellaneous work. It came in his way, for instance, practically to negotiate a Commercial Treaty with Greece, during which he exercised his diplomatic gifts in what seems the small matter of securing reductions of import duties in that country in exchange for the reduction of our own duty on currants; and Lord Goschen was successful in that as in most other things he undertook. His Chancellorship, however, is most remembered by three achievements, apart from his budget speeches themselves—the conversion of the debt, the reform of the gold coinage, and the substitution of an assignment of portions of certain taxes in lieu of grants in aid by the Imperial Government to local authorities. The debt conversion—the conversion of the 3 per cent. debt into $2\frac{1}{2}$ per cent.—had been attempted several years before by Mr. Childers *unsuccessfully*, the times not being propitious, and success was now due, apart from the more favourable times, to two skilful expedients: (1) the reduction to $2\frac{1}{2}$ per cent. by two steps instead of one, so that the converted stock was known for a long time as the $2\frac{3}{4}$ per cents.; and (2) the offer of a small brokerage by the Government to agents, through whom conversion was accepted by the holders. The effect was that out of £558,000,000 of 3 per cent. debt outstanding in 1888 almost the whole was converted or paid off before the end of the year, the immediate annual saving of interest being £1,395,000, and the eventual saving, when the second step to $2\frac{1}{2}$ per cent. was taken some fourteen years later, being twice that sum. Lord Goschen was keen as to the details of the operation, giving interviews to any large holders of stock

who were reluctant to come in, and pushing the operation, in fact, as if he had been a financier in the City conducting a new issue. The service to the country was, no doubt, considerable, and criticism which has been made since as to the boom which ended in the Baring crisis being stimulated is surely most irrelevant. The reform of the gold coinage was comparatively simple, Lord Goschen's qualities being mainly shown in his careful inquiries beforehand as to the amount of the coinage outstanding and the conclusion at which he arrived, which enabled him to undertake the reform with confidence, that the amount of the outstanding coinage was much smaller than had been generally supposed. The alterations in the system of local and imperial administration involved in the assignment of imperial revenues to local authorities were, perhaps, not altogether to the personal taste of Lord Goschen himself as the Minister responsible for imperial finance, but the changes were large and complex, could hardly have been managed, perhaps, by any other Minister, and contributed largely, there is no doubt, to the appeasement of the outcry of local authorities for a time, which was politically of great importance.

As to Lord Goschen's second term at the Admiralty, the office he accepted in the second Unionist Government, which was formed in 1895, the mere fact that he was at the Admiralty in the troublous period which included the Fashoda incident and the Boer War, is sufficient to show the gravity of his task. He was, in fact, the main support of Lord Salisbury in as difficult diplomatic work as can well be imagined. He had to steer a middle course, both as Chancellor of the Exchequer and First Lord of the Admiralty, between the eager advocates of the services always crying for more and more expenditure, and the advocates of economy so-called, who declaim against almost any estimate for army and navy. The recognition of the fact that army and navy are necessities by an economist of his exceptional eminence was itself an achievement of no small value to the country, whatever differences of opinion may exist as to the extent of the necessities themselves, and the principles by which the sufficiency of the grants is to be judged.

Lord Goschen's services in his retirement in connection with the fiscal controversy raised by Mr. Chamberlain are so recent as hardly to need comment. He was, no doubt, the most formidable critic of Mr. Chamberlain, not merely from his great experience as Finance Minister, but because his intimate acquaintance with banking and exchanges enabled him to deal

in a thorough and scientific way with such topics as excess of imports and balance of trade. No one reading Lord Goschen after Mr. Chamberlain, in their statistical contests, could doubt that the former knew thoroughly, and the latter not quite so well, the facts of trade and commerce lying behind the figures. Lord Goschen was not so prominent in this contest as in the previous Unionist struggle, the lapse of time and the appearance of new forces rendering this unnecessary; but some part of the final Free Trade success was certainly due to his astonishing vigour at a time when he might fairly claim to have retired.

Such is a brief review of a remarkable career. It remains only to say in conclusion that the qualities above referred to as characterising Lord Goschen in early life in the City remained with him all through—masterfulness; the power of leading and animating associates and followers; zeal and industry, no toil being too heavy or too minute for him; sincerity and honesty of the highest order, first of all in the studies which led him to his conclusions, and then in all his dealings with party and politics, a sincerity and honesty, I have heard it said, unusual in party politicians, and which would have meant failure to almost any other man in that perilous game. Withal amiable and modest, and devoid of self-consciousness, so that he would undertake tasks apparently beneath his position when the necessities of a cause demanded. Many who knew him well are of opinion that but for accidents the country might have possessed in him a Foreign Secretary or Prime Minister more supremely qualified than any Minister since Sir Robert Peel or Palmerston, as he was wanting in no quality, whether of real knowledge, or courage, or power of leadership for these high offices. Nor can it be said of him *capax imperii, nisi imperasset*. He was not, in fact, called to the highest offices open to party leaders; but he showed all the power required, and has left a mark on the policy of the State as considerable as that of some few holders of the highest offices who have distinguished themselves most. Much of his success, it is fitting to say in these pages, was undoubtedly due to the fact of his first-hand knowledge as an economist and statistician, whose subjects are also those of the politician; only the latter too often neglects the study altogether.

* Lord Goschen's contributions to the literature of his studies are not inconsiderable. Besides his *Foreign Exchanges*, he published in a volume form, after his experiences at the Poor

Law Board, his Reports on Local Taxation. Later in life he published a volume of essays, papers, and speeches on economic and statistical subjects, recently reviewed in this JOURNAL, Vol. XV., p. 535. Within the last two or three years he also published a biography of his grandfather, the publisher of Goethe and Schiller, a labour of love on his part, composed during many years of a busy life, and full of literary power. It is to be hoped that some one of his friends, perhaps Lord Milner, will supply a life of Lord Goschen himself. Such a work properly done will be a valuable and stimulating record for future students of economics and politics, and full of human interest.

ROBERT GIFFEN

CITY NOTES.

WE have received the following notes from R.G. :—

The Bank Rate.—In the early part of the quarter interest was concentrated on the 6 per cent. Bank rate, and speculation was rife on the question whether the rate would see the market through the period of dear money, or whether a further advance would be necessary. As things have turned out, 6 per cent. has seen the market through for the present. On January 17th a reduction to 5 per cent. was made, so that in all there had been a three months' period of 6 per cent., which had lasted from October 19th. The rate, however, has remained at 5 per cent., and in all there have now been 5 and 6 per cent. rates for about six months, a longish spell of dear money. Disquieting symptoms in the stock markets have likewise continued, and there is still much uneasiness as to financial conditions in the United States. The Bank of England has the whip hand of the market, owing to the large collection of revenue in the last quarter of the financial year, and will use its power, it may be hoped without undue pressure, to strengthen the reserve in view of the difficulties of the financial position throughout the world.

Prices of Commodities.—The rise of wholesale prices which accompanies the improvement of trade, and which is at bottom one of the main causes of firmness in the money market, has made further progress. Coal especially advanced rapidly at the turn of the year, partly in consequence of the cold weather, and in spite of a relapse in February still remains higher than a year ago. Soap, after falling away on the dissolution of the soap

combine, has also been advancing of late; copper, lead, and tin seem higher permanently than has ever before been known; while iron, leather, cotton, and woollen manufactures and so on are all higher. Hence in part the great increase of imports and exports, which seems to go on without a stop and attracts more and more attention, the advance of 1906 upon 1905 being exceeded already in the early months of 1907.

Imports and Exports.—It may be worth while *pour mémoire* just to mention the figures of imports and exports for 1906 compared with the previous years as a record. They are as follows:—

		IMPORTS.			EXPORTS (BRITISH AND IRISH PRODUCE).
		MILLIONS.			MILLIONS.
1906	...	608	...	...	376
1905	...	565	...	...	330
1904	..	551	...	...	301

The increase in imports is no less than 10 per cent., comparing 1906 with 1904, and in exports of British and Irish produce no less than 25 per cent. To find a parallel we must go back to the record years of 1870-73, and, as we have said, there is yet no sign in 1907 of any arrest to the movement.

Fall in Stock Markets.—Dear money, however, has been the cause and consequence of trouble in the stock markets, which were at their weakest at the very time the Bank rate was being reduced from 6 to 5 per cent. According to the usual monthly tables of the aggregate value of representative securities in the *Banker's Magazine*, there was a fall of no less than £26,748,000 between January 21st and February 20th, viz., from £3,843,177,000 to £3,816,429,000, this fall being specially noticeable in American securities, British railways, and other stocks, where the losses are very great indeed. Tea, copper, and other shares have gained, by which the trouble on the Stock Exchange has in some degree been masked.

The Coming Budget.—Mr. Asquith, it is now plain, will have materials for a good Budget. The revenue during the year has considerably exceeded the estimates, while Army and Navy estimates show real reductions of about 3½ millions. The Budget, however, cannot be a sensational one as far as immediate re-

ductions of taxations are concerned, as the available surplus, owing partly to nominal changes, will only be a few millions. and even a small remission of taxation now involves a great deal of money. Mr. Asquith deserves no small credit for putting an end to the special works Budgets of Army and Navy, though the effect is to deprive him of a good deal of his surplus in consequence of charges which would formerly have been "special," and paid out of loans being placed among the ordinary estimates. Still, Mr. Asquith's Budgets belong to the prosperous category, though not sensationally prosperous.

R. G.

CURRENT TOPICS.

THE Labour Notes contributed by Mr. Ernest Aves, which have become a familiar feature of the ECONOMIC JOURNAL, will be missed in the present and the next number. The absence of the notes is accounted for by the absence of Mr. Aves, who has gone to the Antipodes in the capacity of a Commissioner, appointed by the Home Secretary to inquire into and report upon : (1) the system of wages boards in Australia ; (2) the compulsory arbitration systems in force in Australia and New Zealand ; and (3) the Shop Hours' Acts of the two countries. The judicial mind which our contributor has ever brought to the consideration of labour will now be more than ever required.

THE POSTMASTER-GENERAL has appointed a Departmental Committee to consider whether the Post Office should undertake, in connection with the Savings Bank, to insure employers against the liabilities incurred under the Workmen's Compensation Acts. The Committee is subsequently to consider whether steps should be taken to stimulate the use of the present life insurance system of the Post Office, and, if so, what these steps should be. The work of the Committee thus falls into two parts. The first inquiry is due to the enactment of the Compensation Act of last year. It was suggested that the case of the small employer, who now comes within the scope of the Compensation Act, is not met by private companies ; that some special facilities for their insurance ought to be provided. The second inquiry has been rendered necessary by the comparative failure of the life insurance system of the Post Office. In spite of the liberal policies offered, the number of persons who have availed themselves of them dur-

ing each of the last three years were 592, 517, and 741. The chairman of the Committee is Lord Farrer, and its secretary is Mr. E. Raven.

A RATHER novel issue has lately been dividing the ranks of trade unionism. Should municipal employees organise themselves into unions distinct from those formed by workmen in private employment? The Trade Union Congress at Liverpool considered the question, and their decision is expressed in a circular letter issued by the Parliamentary Committee to all the unions in the country. The Congress decided very emphatically against any such development, holding that it would have a disintegrating effect upon the movement. The Parliamentary Committee, accordingly, appeals to municipal workers to join the unions already established in their trades, instead of adding to their number.

THE recently formed British Constitutional Association is the latest organisation created for the purpose of opposing Socialistic legislation of all kinds. It is a non-party association, and it hopes to "enable both Liberals and Conservatives, however much they may differ on other questions, to unite in opposition to Socialistic measures." Its objects are explained by Sir William Chance in a letter to the *Spectator* of December 29th last. The secretary is Mr. H. R. Beasley, 9 Bedford Court Mansions, Bloomsbury Street.

A SECTION is to be devoted to Social Economics at the summer meeting of the University Extension movement at Oxford this year. The general subject of the lectures is "The Contrasted Ideals of Socialism and Individualism." The meeting extends over four weeks, beginning on August 1st.

MAJOR P. CRAIGIE, who till lately held the office of Assistant Secretary at the Board of Agriculture, and in that and other capacities has made most important contributions to agricultural statistics, has been appointed Gilbey Lecturer on the History and Economics of Agriculture in the University of Cambridge for the next three years, in succession to Professor J. S. Nicholson. A high standard has been set for the occupants of this post by Professor Nicholson in the lectures on Corn Laws and on Agricultural Rates and Rents, which have been reviewed in recent numbers of the *ECONOMIC JOURNAL*.

IN the University of Edinburgh the Court has resolved to institute a Lectureship in Economic History. The financial arrangements are not yet completed, but it is understood that a lecturer will be appointed for next winter session, and that he will be expected to give an ordinary course as well as an advanced course in connection with the Honours degree in Economic Science. •

• THE Council of the University of Birmingham has established an Advisory Board of Business Men to co-operate with the Professors in the Faculty of Commerce. The list of eight members includes the managing directors of such well-known concerns as Avery, Alfred Hickman, the Earl of Dudley, and the Metropolitan Wagon Co.; and all the gentlemen whose names appear are actively engaged in the responsible management of large business undertakings. The Board thus constituted appears to contain a larger number of men actually controlling great industrial operations than have ever before, in any formal way, associated themselves with a University scheme of higher commercial education. The functions of the Board will be twofold—first, to make suggestions with regard to the training of students for business careers, and secondly, to bring the faculty and the graduates it produces before the notice of the business world. In both these directions, it appears, the captains of industry who have been placed on the Board have already been helpful, both by advising with regard to courses of studies, and by taking young graduates into their offices. •

• WE have had the privilege of seeing a volume containing memorials of our late Treasurer, Mr. Alfred Spalding Harvey. As it is printed for private circulation, we are precluded from giving it the place which it would otherwise deserve among our reviews. But we may be permitted to allude to the articles on topics of economic interest, which are collected from several periodicals, in this volume. We may notice in particular the sympathetic summary of the report of 1867-8, on the employment of women and children, contributed by Mr. Harvey to *St. Paul*, April, 1870; his description of the business of banking in several articles which appeared in *Cassell's Magazine*, and numerous speeches addressed to the Institute of Bankers. The traits of a beautiful life, delineated in the obituary notice which appeared in the *ECONOMIC JOURNAL*, are more fully displayed in the family record. •

RECENT PERIODICALS AND NEW BOOKS.

Journal of the Statistical Society.

DECEMBER, 1906. *The Electoral Swing of the Pendulum* (Presidential Address). SIR R. B. MARTIN. *Estimates of the Realisable Wealth of the United Kingdom, based mostly on the Estate Duty Return.* W. J. HARRIS and REV. K. LAKE.

The Economic Review.

JANUARY, 1907. *Bournville.* J. A. DALE. The folly of uncontrolled development artificially fostered by profit-seekers in the suburbs of Birmingham leading to Bournville contrasts with the charms of the model village created by Mr. Cadbury. *Economic Crises, and some Aspects of Trusts.* W. NEURATH. The paradox of over-production is explained by the phenomena of credit. If creditors had a claim to a share in the production rather than a fixed sum of money, the fall of prices attending a plethora of goods would do no harm. The necessary reforms are to be accomplished by trusts. *The Poplar Workhouse Inquiry.* G. CROSSE.

The Nineteenth Century.

DECEMBER, 1906. *The Labour Movement.* J. KEIR HARDIE, M.P. *Friendly Societies.* SIR E. BRABROOK.

JANUARY, 1907. *The Evolution of the Income-Tax.* G. MCCRAE, M.P. A member of the Select Committee on the Income-Tax endorses its recommendations. "*Window Dressing*" in the *Money Market.* H. WITHERS. Directed against banks calling in cash for a day only to figure in the monthly statements. Weekly statements would correct over-trading in credit.

Contemporary Review.

DECEMBER, 1906. *Work and Life.* SIR OLIVER LODGE. An educational homily.

FEBRUARY, 1907. *The Retail Bookseller.* R. BOWER. The wisdom of breaking up the Booksellers' Association in 1852 is disputed. The existing Association of Booksellers "removes the competition from one of cutting to one of competence."

Fortnightly Review.

- DECEMBER, 1906. *Population and Progress*. M. CRACKANTHORPE, K.C. In defence of Malthusianism.
 JANUARY, 1907. *Population and Agriculture*. J. A. SPENDER.
 FEBRUARY, 1907. *Population and Progress*. M. CRACKANTHORPE. Continued from December. *A German Tramp Prison*. W. H. DAWSON. *Small Fruit Gardens for England*. S. MORGAN.

The National Review.

- DECEMBER, 1906. *The Future of Tariff Reform*. J. L. GARVIN. *Land Values—Why and How they Should be Taxed*. J. WEDGWOOD, M.P.
 JANUARY, 1907. *The Episodes of the Month*. There is a sympathetic account of Lord Milner's pronouncements on December 14th and December 17th in favour of Tariff Reform.

The Independent Review.

- DECEMBER, 1906. *Labour's Ideal*. P. SNOWDEN, M.P. *A Minimum Wage*. GERTRUDE TUCKWELL. *The Gold Mine Fallacy*. J. M. ROBERTSON. The increase of the precious metals is not vital to industry.
 FEBRUARY, 1907. *The Small Holdings Committee's Report*. (1) E. O. FORDHAM, (2) R. MUNRO FERGUSON, M.P.

The Quarterly Journal of Economics (Boston).

- NOVEMBER, 1906. *Capital and Interest once More*. *Capital versus Capital Goods*. E. BOHM-BAWERK. *The Inter-State Commerce Act as Amended*. F. H. DIXON. *The Taxation of Personal Property in Pennsylvania*. R. MCCREA. *The Telephone in Great Britain*. A. N. HOLCOMBE. *Co-operation in the Apple Industry in Canada*. R. H. COATS.

Political Science Quarterly (New York).

- DECEMBER, 1906. *The Housing Problem in San Francisco*. E. T. DEVINE. There has been a striking illustration of the truth that embodied wealth—e.g., shops and offices—do not count for much in respect of economic welfare. There was, however, a temporary paralysis of industry. *A Gold Standard for the Straits*. II. W. W. KEMMERER.

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- NOVEMBER, 1906. *Ocean Freight Rates and their Control by Line Carriers*. J. R. SMITH. *The Prevention of Stock-Watering by Public Service Corporations*. A. W. SPENCER. *Municipal Ownership in Germany*. H. MEYER.
 DECEMBER, 1906. *The Inter-urban Electric Railway in Ohio*. E. L. BOGART. *Trade Relations with Latin America*. B. G. LEWIS. *Harriet Martineau and the Employment of Women*. EDITH ABBOTT.

Annals of the American Academy of Political and Social Science
(Philadelphia).

NOVEMBER, 1906. *Municipal Ownership as a Form of Governmental Control.* F. A. CLEVELAND. *American Municipal Services from the Standpoint of the Entrepreneur.* C. L. JONES. *Chicago Traction: a Study in Political Evolution.* WILLARD E. HOTCHKISS. Giving an account of the contest against corruption, and the endeavour to introduce a system of municipal trade. *Some Social Effects of a Reform Movement.* F. S. EDMONDS. *Election Reforms: The Trend towards Democracy.* J. C. RUPPEN-THAL. Perhaps the most noteworthy paper in this volume, giving a mass of interesting information with regard to the electoral laws of the different states of the United States, and to many legal questions arising thereon. *A Problem of Primaries.* J. DE L. VERPLANCK. Municipal accounting in Boston and Louisville.

Journal des Economistes (Paris).

NOVEMBER, 1906. *Aperçu Historique des Théories Modernes de la Valeur.* M. BELLOM.

DECEMBER, 1906. *Théorie de l'Evolution, Temps Primitifs.* G. DE MOLINARI. *Le Réseau d'Etat de 1879 à 1883.* M. SCHELLE. *Les Chemins de Fer des Etats-Unis.* D. B.

JANUARY, 1907. 1906. G. DE MOLINARI. *Le Marché Financier en 1906.* A. RAFFALOVICH.

FEBRUARY, 1907. *La Banqueroute du Socialisme Scientifique.* Y. GUYOT. *Une Industrie mal Protégée. L'Industrie de la Soie en Italie.* The Italian silk industry suffers from Protection. *L'Entrepreneur est-il un quatrième facteur de la production?* M. BELLOM. The entrepreneur is but a high-class worker.

Revue d'Economie Politique (Paris).

DECEMBER, 1906. *Une Campagne Syndicaliste: les Sous-agents des Portes.* P. GIRARD. *Les Grèves en Italie.* G. FRANÇOIS. *Le Mercantilisme libéral à la fin du XVII^e Siècle.* A. SCHATRY et R. CAILLEMER. The exposition of M. de Belesbat's ideas is continued and concluded.

JANUARY, 1907. *Le Commerce extérieur de l'Egypte.* P. ARMINJON et B. MICHEL. *Fonction économique du Contrat de Société.* P. PIC. The Professor of Industrial Legislation raises the question how far law should interfere with companies.

FEBRUARY, 1907. *Les Castes de la Vie économique.* C. BOUGLÉ. The economic life of India doesn't resemble any of the postulates of the classical political economy. *Le Commerce extérieur de l'Egypte* (suite). P. ARMINJON et B. MICHEL.

Revue Economique Internationale (Brussels).

The study of social life at the Solway Institute of Sociology is described in the December number. The recuperation of Spanish credit is the subject of another article. A curious pro-

nouncement on Treaties of Commerce is contributed by M. MÉLINE to the January number. An historical retrospect leads to the conclusion that it is necessary for France to maintain her fiscal policy of 1892.

In *L'Economiste Français* for January 12th, M. PAUL LEROY-BEAULIEU, writing on the French Census for 1906, explains the fact that while the excess of births over deaths during the quinquennium 1901-5 was 323,594, the increase of population in 1906 over 1901 was only 290,322, by the compulsion of religious bodies ("congregationalistes"). The departments where a religious "mentality" lingers are the most prolific.

Jahrbücher für Nationalökonomie (Jena).

NOVEMBER, 1906. *Zur Anschauung der Antike über Handel Gewerbe und Landwirtschaft.* O. NEURATH. *Der Einfluss der Zollpolitik auf die wirtschaftliche Entwicklung der Vereinigten Staaten von America.* H. LEVY.

DECEMBER, 1906. *Die Kredit der Gesellschaften mit beschränkter Haftung.* C. GREULICH. *Der Neueste soziale Fortschritt in der Buchdrucker-Tarifgemeinschaft.* H. KÖPPE.

JANUARY, 1907. *Ist die Grundrente in der Peripherie der Stadt eine "allgemeine Monopolrente."* F. PABST. The rent of land in the outskirts of a town is no monopoly. *Der Berliner Getreidehandel unter dem deutschen Börsengesetz.*

Jahrbuch für Gesetzgebung (Leipsic).

FEBRUARY, 1907. *Der Berliner Getreidehandel.* . . . A construction and conclusion.

1907. HEFT I. *Die Rentenprinzip in der Verteilungslehre.* I. DR. SCHUMPETER. *Organisation des deutschen Buchhandes: Ein Beitrag zur Kartellfrage.* I. A. KOPPEL. *Über die Aktienform der Unternehmung.* A. GOTTSCHESKI.

Zeitschrift für Volkswirtschaft (Vienna).

HEFT V. AND VI. contains a contribution to the newest literature on capital and interest by PROF. BÖHM-BAWERK; and a eulogistic review of Schmoller's Political Economy by DR. INAMA-STERNEGG. The contribution is continued and completed in a subsequent number.

Eine Darstellung der Belastung durch eine Einkommensteuer. R. LIEBEN.

Archiv für Sozialwissenschaft.

1907. HEFT I. *Der Untergang des englischen Bauernstandes.* Criticising the views of H. Levy and J. D. Rogers on the English Yeomanry.

Giornale degli Economisti (Rome).

- SEPTEMBER, 1906. *Curve piane di offerta dei prodotti.* U. RICCI. *Protezionismo Marittimo e Credito Navale in Italia.* V. GIUFFIDA. *Statistiche Agrarie.* E. FORNASARI DI VERCE. *La dottrina dell' egoismo di H. Spencer.* E. COSSA.
- OCTOBER. *La teoria del costo di riproduzione . . .* D. BERARDI. *Dell' obbiettività dell' economica politica come scienza.* E. COSSA. *Statistiche Agrarie.* E. FORNASARI DI VERCE.
- NOVEMBER. *Applicazioni della matematica all' Economia Politica del Prof. Vilfredo Pareto.* G. SEUSINI. *Calcolo dell' aumento della popolazione.* A. CONTENTO. *Il patrimonio minerario dei Comuni.* F. G. TENERELLI.
- DECEMBER. *Nuove polemiche sullo zucchero.* E. GIRETTI. *L'aumento di popolazione . . . in Italia.* E. RASERI. *Le popolazione delle grandi città Italiane.* E. MORTARA. *I conjugati sotto l'età legale.* F. COLLETTI.

La Reforma Sociale (Turin).

An account of the first international congress on Unemployment held at Milan last September is given in the December number (by R. MICHEL). PROF. J. TIVARONI (of Paris) writes on the Distribution of Wealth in the January number.

Le Mouvement Economique (Bucharest). 1906.

The fiscal arrangements respecting spirituous liquors in Greece are described by PROF. ANDRÉADÈS. Temperance and hygiene, not merely revenue, are aimed at. Bad liquor is the greatest danger.

NEW BOOKS.

BONN (M. J.). *Modern Ireland and her Agrarian Problem.* London: J. Murray. Pp. 174. 2s. 6d.

CHORLTON (J. D.). *The Rating of Land Values.* Manchester: University Press. 1907. Pp. 177.

CLARK (VICTOR S.). *The Labour Movement in Australasia.* A study in social democracy. London: Constable. 1907. Pp. 327.

COX (HAROLD.) *Land Nationalisation and Land Taxation.* (Second edition, revised.) London: Methuen. Pp. 229.

[A second edition of the work reviewed in the *ECONOMIC JOURNAL*, vol. iii. (1893) Mr. Henry George's scheme and other forms of special taxation are indefensible. Some of the advantages of State Nationalisation might be obtained by improving county systems.]

DRAPERS' CO. RESEARCH MEMOIRS: *Studies in National Deterioration.* I. On the relation of fertility in man to social status. London: Dulau. 1906. 3s.

EDDERTON (W. P.). *Frequency-Curves and Correlation.* (Institute of Actuaries.) London: C. and E. Layton.

[This book is a well-considered and very successful attempt to explain Prof. Karl Pearson's treatment of the application of mathematical formulæ to statistics, and to show its use to Actuaries. It may be recommended to all who are interested in

these methods, whether they have followed the treatment in its original form or not. The illustrations are very happily chosen and the actual process of evaluation clearly stated. Alternative systems are relegated to a not very satisfactory appendix of three pages, and the scheme does not cover more than a small part of the whole realm of the mathematical discussion and use of statistical data.]

FOSTER (WILLIAM). The English Factories in India, 1618-1621. A calendar of documents in the India Office, British Museum, and Public Record Office. Oxford: Clarendon Press. 1906. Pp. 379.

[A continuation of the story told in *Letters received by the East India Company from its Servant in the East 1602-17* (published in 1896-1902). Some 460 papers, mostly new, are now calendared.]

LEOTSON (J. G. P.). Personal and Domestic Accounts. Pp. 567.

[Lessons in the art of recording income, expenditure, capital, &c.]

International Co-operative Alliance Bibliography. London: P. S. King. 1906. Pp. 276. 7s. 6d.

KEBBEL (T. E.). The Agricultural Labourer. (Fourth edition. Abridged, with a new preface.) London: Sonnenschein. 1907. Pp. 176.

[In this latest edition of a work published in 1870, parts have been omitted, parts left as they were, parts—e.g. the tables of wages—brought up to date. All the information has been obtained by the author's personal enquiries.]

MOORE (HAROLD E.). Our Heritage in the Land. With an introduction by Sir William Mather. (Second Edition.) London: P. S. King. 1906. Pp. 144.

[Parts of *Back to the Land*, reviewed in the *ECONOMIC JOURNAL*, vol. iv., are here reproduced with much additional material. Sir William Mather prefixes that scheme for providing work on the land which he submitted to the Parliamentary Committee on the Unemployed 1895. There is a useful summary (at p. 36) of what has been done in the way of providing small holdings under County or Parish Councils, and by voluntary arrangement.]

MORISON (THEODORE). The Industrial Organisation of an Indian Province. London: Murray. 1906. Pp. 327.

[Reviewed above.]

PETAVEL (J. W.). Administrative Efficiency, and what it might give us. London: Sonnenschein. 1906. Pp. 58.

PAT. Economics for Irishmen. Dublin: Maunsell. 1906. Pp. 164.

[Reviewed above.]

POPPELWELL (FRANK). Some Modern Conditions and Recent Developments in Iron and Steel Production in America. (Gartside Scholarship Report.) Manchester: University Press. 1906. Pp. 119.

SOMMERVILLE (PROF. W.). The Place of Rural Economy in a University Curriculum. Oxford: Clarendon Press. Pp. 28.

[The inaugural lecture delivered at Oxford by the Sibthorpe Professor of Rural Economy.]

TILLYARD (F.). Banking and Negotiable Instruments. London: Black. 1906. Pp. 386.

ELIOT (CHARLES W.). Great Riches. New York: Crowell, 1906. Pp. 52.

[A reprint of a remarkable essay by the President of Harvard University.]

GIDDINGS (F. H.). Readings in Descriptive and Historical Sociology. New York: Macmillan Co.

KIRK (DR. W.). National Labour Federations in the United States. (Johns Hopkins University Studies.) Baltimore: Johns Hopkins Press. 1906. Pp. 150.

PIERCE (FRANKLIN). The Tariff and the Trusts. New York: Macmillan Co. 1907. Pp. 383.

POND (OSCAR L.). Municipal Control of Public Utilities. (Columbia University Studies.) New York: Macmillan Co. 1906. Pp. 115.

SNIDER (GUY EDWARD). The Taxation of the Gross Receipts of Railways in Wisconsin. (Amer. Econ. Association.) New York: Macmillan Co. Pp. 138.

SPENCER (M. G.) and H. J. FALK. Employment Pictures from the Census. With a preface by Prof. C. S. Loch.

[A study in the methods of representing statistics.]

Statistical Record of the Progress of the United States (1800-1906). Department of Commerce and Labour, Washington.

DOLLÉANS (ÉDOUARD). Robert Owen, Avant-propos de M. Emile Faquet. Paris: Alcan. 1907. Pp. 374.

[A new edition of the book discussed in the *ECONOMIC JOURNAL*, 1905, p. 257, containing a preface by M. Faquet, (p. 8), an introduction by the author (p. 53), "Socialisme sentimental, Socialisme scientifique, et Socialisme juridique," and pleading for variety in socialistic development, appendices with extracts from Owen, and a bibliography.]

TUROT et BELLAMY. Les Habitations à Bon Marché. Paris: Alcan. Pp. 260.

[M. Turot, as a member of the Municipal Council of Paris, has had a good opportunity of studying the subjects. The laws of 1902 and 1906 on public hygiene are specially considered.]

FOVILLE (ALFRED DE). La Monnaie. Paris: Lecoffre. Pp. 240.

GUYOT (YVES). Le Commerce Extérieur de la France en 1905. (Reprinted from *La Revue du Commerce*.) Paris: F. Alcan. 1907. Pp. 56.

LESCURE (JEAN). Crises Générales et Périodiques de Surproduction. Paris: Larose. 1907. Pp. 652.

MERLIN (ROGER). Guide Social à Paris. Paris: Rousseau. Pp. 442.

[A directory giving information about institutions devoted to Social work in Paris. The author is the "archivist" in the Musée Social.]

PAULTRE (CHRISTIAN). De la Répression et la Mendicité et des Vagabondages en France sous l'ancien Régime. Paris: Larose. Pp. 640.

[An historical study.]

POISSON (CHARLES). Le Salaire des Femmes. Paris: Librairie des Saints-Pères. Pp. 412.

[The author belongs to the "Social Catholic School."]

SCHMOLLER (PROF. G.). Principes d'Economie Politique. Deuxième partie. Tome IV. Traduit par Léon Polack. (Bibliothèque Internationale d'Economie Politique.) Paris: Giard. 1907. Pp. 189.

The fourth volume of the translation continues the second part of the work, which was reviewed in the *ECONOMIC JOURNAL*, xv. This volume deals with work and

wages—the offer and the demand; social institutions such as public relief and insurance bureaux of employment; distribution of the national income.]

ACWORTH (W. M.). *Grundzüge der Eisenbahnwirtschaftslehre. Aus dem Englischen übersetzt nebst einleitendem Vorworte von Dr. H. Ritter von Wittek-Geheimer Rat. Vienna: Manz. Pp. 167.*

[A translation of the well-known work which was reviewed in the *ECONOMIC JOURNAL*, 1905. The translator, while not regarding the author's views of railway policy as perfectly "orthodox," bestows on him much deserved praise.]

CUHEL (DR. FRANZ). *Zur Lehre von den Bedürfnissen. Innsbruck: Wagner. 1907. Pp. 320.*

[“Theoretical investigations upon the borderland between economics and psychology” is the secondary title.]

GUTMAN (JULIUS). *Über den amerikanischen Stahltrust Mit Berücksichtigung des deutschen Stahlwerksverband. Essen: Boldeher.*

HAINISCH (DR. M.). *Die Entstehung des Kapitalzinses. Leipsic: Deutsche. 1907. Pp. 112.*

HASENKAMP (ADOLF). *Die Geldverfassung und das Notenbankwesen der Vereinigten Staaten. Jena: G. Fischer. Pp. 213.*

KALINOFF (DR. DIMITRI). *David Ricardo und die Grenzwerttheorie. Tübingen: Laupf. 1907. 140.*

[A careful study of Ricardo's *Principles*, on which light is shed from his Letters and from German philosophy.]

MEIJERS (E. M.). *Kleinindustrieten platten lande. (Bureau voor Sociale Adviezen. I.) 1906. Zwolle: De Erven. Pp. 71.*

MOMBERT (DR. PAUL). *Studien zur Bevölkerungsbewegung in Deutschland in den letzten Jahrzehnten mit besonderer Berücksichtigung der ehelichen Fruchtbarkeit. Karlsruhe: Braunsch. 1907. Pp. 280.*

MILLER (DR. ALOIS). *Die Gemeinden und ihr Finanzwesen in Rumänien. Jena: Fischer. 1906. Pp. 186.*

VOIGT (PROF. A.). *Die sozialen Utopien. Fünf Vorträge. Leipsic: Götschen. Pp. 254.*

CALDERONI (MARIO). *Disarmonie Economiche e disarmonie Morali. Florence: Lumachi. 1906. Pp. 110.*

[The “extension of the Ricardian theory of rent” announced in a secondary title, leads on to “marginality in morals,” the moral “law of indifference,” and other analogical conceptions.]

FONTANA-RUSSO (PROF. L.). *Emigrazione di Uomini ed esportazione di Mercì. Roma: Unione Cooperative. 1906.*

[Reviewed above.]

FRACCACRETA (DR. A.). *Il Movimento operaio nell' agricoltura francese. Naples: L. Pierro. 1907. Pp. 168.*

GERBINO (G. DE F.). *Commercio internazionale e politica Commerciale. Palermo: Retser. 1907. Pp. 475.*

GOBBI (PROF. ULISSE). *Il prezzo corrispondente al costo come criterio di Giustizia Sociale. Milan: Reberchini. Pp. 9.*

NARDI-GRECO, *Socialogice Giuridice. Turin: Bocca. 1907.*

THE ECONOMIC JOURNAL

JUNE, 1907

THE BUDGET OF 1907 CONSIDERED WITH SPECIAL REFERENCE TO THE INCOME TAX.

REGARDED as the first definite exhibition of the constructive financial policy of the present Government, Mr. Asquith's statement was certain to prove somewhat disappointing to extremists of all sections. The financier responsible for the due adjustment of a nation's expenses and revenue must move with a caution that disgusts the propounders of social and fiscal panaceas. Judged, however, by the true test—conformity to the canons that long experience has established—the Budget scheme deserves decided, even if qualified, approval. Put shortly, its salient features are : (1) a liberal appropriation towards the reduction of debt (after allowing for cross items, nearly £10,000,000 for 1906–7, and a still larger sum for the present year); (2) the provision for placing on the estimates of each year the outlay on public works that has in the last fifteen years been met by short-term loans; (3) the retention of the existing indirect taxation; (4) the concession of a rebate in the income tax on the earned portion of incomes under £2,000; and (5) increased progression in the estate duty, under which the millionaire's estate will pay 10 per cent. instead of 8 per cent., and that of the multi-millionaire may approach to a payment of 15 per cent. These actual features must be taken in connection with the hints or promises of further change. For the Chancellor of the Exchequer has had the courage to regard his Budget as being but one link in the chain of financial policy which an Administration with a powerful majority can develop. One of these alterations is to be the abolition of the system of assigned revenues for local purposes, introduced by Lord Goschen in 1888, thus carrying out the

minority Report of Sir E. Hamilton and Sir G. Murray on Local Taxation. An equivalent is to be provided from the Consolidated Fund, so that the form of the public accounts will be improved, while local finance will not suffer. Again, a new head of expenditure is to be introduced in the creation of a limited kind of pensions for the aged. The large debt appropriation for 1907-8 is in future years to yield the nucleus of the amount required for this purpose.

It thus appears that as the Budget of 1906 was preliminary to that of 1907, so is the latter to find its fuller development in 1908. It is evident that two complicated measures—a Local Taxation Bill and an Old-Age Pension Bill—will have to be run along with the Finance Bill of 1908, if the scheme arranged for that year is to be completed. To turn to the most important change introduced in this year's measure, it must be remembered that the recognition of a difference between earned and unearned incomes is the latest result of a long series of discussions. When Peel revived the income tax as a temporary expedient, it was reasonable to claim that precarious incomes should not pay as much as permanent ones, since, as the period of levy was limited, all incomes in existence during that period were taxed, and some might cease at the moment of the relinquishment of the tax. When in the course of time, and almost unconsciously, the income tax became a permanent part of the tax system, this claim lost its force; in Mill's words, "All attempts to establish a claim in favour of terminable incomes on numerical grounds are manifestly absurd." But, to follow the authority just quoted, a new plea in favour of temporary incomes, based on the greater need for saving on the part of their holders, comes into view, and it is this side of the matter that impresses popular opinion. In the elaborate discussions before the Committees of 1852 and 1861 the difficulties of drawing the line between the two classes of income and the complicated administrative rules that would be needed were urged by Gladstone and Lowe, and their view prevailed. The increase in the rate of the income tax in recent years (*5d.* was regarded as the normal level by Childers and *8d.* by Lord Goschen) has brought about further agitation of the question. Moreover, the growth of indirect taxation has added weight to the distinct but related claim for graduation in the income tax as a whole. Duties on tea and sugar may be regarded as the equivalent of a tax including the smaller incomes; and their increase in the last seven years has made fresh steps in the degressive system almost unavoidable. The Reports of Mr. Ritchie's and

Sir C. Dilke's Committees have also helped to bring, the administrative and theoretical problems into a more definite and practical form; they have also supplied valuable materials for comparison with other countries. That all these influences should have only resulted in the modest allowance of a rebate of 25 per cent. on earned receipts within the limit of incomes under £2,000 is at first surprising; its explanation is found in the special circumstances of the situation. As Mr. Asquith explained, the income tax is at once "one of the most productive and one of the most delicate parts" of the British tax system. The extension of abatements and the higher rate of charge have both increased the labour of effective administration. As over 60 per cent. of the payers of income tax receive allowances, it is evident that the pressure on the machinery of the system is great, and is bound to increase as degression is developed. Mr. Ritchie's Committee further showed that greater strictness in requiring returns was necessary; but this means extra work and an increased staff; it also tends to produce friction with the taxpayers. Indeed, one of the great objections to the adoption of *progression* is the greater strictness that it involves. The provision in the present Finance Bill is probably designed to, at all events it will assist in, the application of a progressive scale to the higher incomes. The particular concession made to earned incomes leads by its method to voluntary declarations in all cases coming under its scope, and its extension in later years would be comparatively easy. Sir C. Dilke's Committee, though it was not prepared to follow its chairman's recommendations, appeared to favour extension of the abatement limit to £2,000, and to regard £3,000 as the suitable limit for concessions to earned incomes. As the Budget scheme is mild in its actual proposal, it carefully avoids the device of a super-tax on the larger incomes, and confines it to the chief inheritance tax—the estate duty. The idea of continuity in time which is indicated is accompanied by that of correlation between the several parts of the system of direct taxation. Just as the Prussian property tax is called "complementary" (*Ergänzungssteuer*), so is the estate duty recognised as a corrective to any undue pressure of the income tax on labour and ability. Sir H. Primrose's evidence to the Income Tax Committee was to the effect that the estate duty alone on properties yielding £40,000 income would be equivalent to an income tax of 2s. in the £. Regarded in a broader way—as will be possible under the resumption of that part of the estate duty now allotted to the Local

Taxation Account—the yield from income and property is about £50,000,000, of which over 60 per cent. comes from income, somewhat less than 40 per cent. from death duties. The latest adjustment will relieve income at the expense of property without affecting the total charge. The general line of policy is clear enough; it is, in fact, a development of the principles of the Harcourt Budget of 1894, though the application takes a different form, which will be more pronounced in the further expansions that may be expected.

Far more important than the particular alterations is the general line marked out for English finance so long as it is under Liberal control. This may be said to be a retention of the Gladstone tradition, with modifications to fit in to modern conditions. The chief of these modifications is the recognition of the income tax as a permanent and highly valuable part of the British revenue system. But though this seems contrary to Gladstone's rooted idea that an income tax was a temporary or an emergency expedient, it is in reality the normal outcome of his financial administration. He had inherited from Pitt and Peel the conception of a great reserve for war or deficits and fiscal reform stored up in the power of levying a charge on income. It was a "giant who had once shielded us in war," and who had been "called forth from repose to come and assist our industrious toils in peace." The continued employment of the tax and its effectiveness as an agent of reform helped to make it indispensable. It has been well said that "while Mr. Gladstone's dream was to repeal the income tax, his fiscal reforms and his financial work have tended to make it permanent." It was through the extended use of the income tax that most of the oppressive taxes on commodities were removed (*e.g.*, the remission of the corn duty by Lowe in 1869 and the removal of the similar duty in 1903 were both balanced by income tax changes¹), and the indirect taxation limited to articles that were really productive. Thus the permanent employment of this form of taxation is intimately connected with the substantial elimination of Protection, which was one of Gladstone's great achievements.

The course of movement in England is paralleled by that in other countries. Financial pressure and popular views of justice have combined in making the proposal (in most cases the adoption) of income taxes a feature of financial reform. Either by the central government or by the parts of a federal union the pro-

¹ Curiously enough, the duty at each period appears to have been roughly equivalent in yield to an extra penny in the income tax.

cess of introducing a tax on net revenue has become almost universal.¹ The methods employed differ decidedly; but the English tax, the oldest of all, heads the list in productiveness and in lightness of pressure on the individual payer. To preserve these valuable features while at the same time according due recognition to the plea for more accurate distribution of the burden is perhaps the greatest task of the finance ministers of the future. Beside the scientific policy of adhering to the canons of sound finance, there are two contending schemes of financial administration. One of these would enlarge the income and property taxes by the vigorous use of progression, say, 10 per cent. on incomes over £5,000, 20 per cent. on those over £10,000, and 35 per cent on those exceeding £40,000. Site values and other "opportunity" gains would pay further special contributions. Indirect taxation would be correspondingly reduced, and "social reform" would take the place of "the Services" as the principal cause of expenditure. Contrasted with the existing system this plan of finance raises the two questions of: (1) its practical possibility; and (2) its ulterior results. Under the former head there can be no question that, apart from the political difficulties, the work of assessment and collection would be extremely arduous. All the official evidence supports the *a priori* view that heavy special taxation tends to drive away the "object" taxed, and that this is emphatically true of the intangible elements that form so great a part of the bigger incomes. Only by gradual and cautious experiment can the amount that property will bear be ascertained. Any hasty advance might easily lead to a collapse of the whole system. Equally serious is the possible effect on the economic progress of the society. The ultimate *productional* influence may be the cessation of growth on the part of capital, accompanied by the loss of all further improvements in the agents and methods of industry. The "politico-social" view of taxation is hardly reconcilable with the strictly "financial" one.

On the other hand, there is the widely-spread idea that the growth of income and property taxes should be checked, and that the system of indirect taxation should be so extended as to include a much greater number of articles, giving, as it is said, "a broader basis of taxation." Such a scheme of taxation, when advocated a half-century ago by Cornewall Lewis (who, however, was quite free from any of the Protectionist leanings that are

¹ "France alone of the great nations has not taken part in this development" is M. Caillaux's statement,

characteristic of its modern supporters), excited Gladstone's keenest opposition.¹ The policy of the present Budget is in this respect essentially Gladstonian. The sugar tax even has been retained for the present only on account of its high yield. The diffusion of taxation over a large number of commodities (quite apart from any preferential or protective devices) must have the broad effect of placing a heavier burden on the mass of consumers, while it enhances the cost of collection and increases the impediments to trade. It stands in sharp opposition to what may be called the Socialist ideal of taxation, though in common with it it is eminently capable of being manipulated for "politico-social" ends, and if ever adopted might easily lead by reaction to the most drastic taxation of property. Finance, it must be remembered, is the counterpart of general policy. Baron Louis's cry² has been on the lips of many a minister of finance; but the connection has never been more clearly shown than in England at present, and it is hardly to be disputed that the cardinal points in issue are: (1) the treatment of the income tax; and (2) the handling of expenditure. It is round these that the contest will centre, and it is by their treatment that the capacity of English statesmen will be judged.

C. F. BASTABLE

¹ "An impious opinion of this sort," says Mr. Morley, "kindled volcanic flame in Mr. Gladstone's breast."—*Gladstone*, Bk. iv., ch. 8.

² "Faites-moi de bonne politique et je vous ferai de bonnes finances."

THE ENGLISH ASPECT OF THE SMALL HOLDING QUESTION.¹

THERE are two main points of view at present current as to small holdings amongst those who recognise the desirability of their extension; one is that, although such an extension may be desirable for many reasons, it is not possible under our present agricultural and fiscal conditions; the other is that an extension is feasible on certain specific lines as practised on the Continent, which have only got to be demonstrated by experiments for them to be taken up in this country.

The object of my paper will be to suggest an emphatic denial to the reasonableness of the first view, and to show a reasonable disagreement with the second. I may as well state at the outset that I am only a farmer and not an economist, and I merely wish to present to you, as economists, the facts which have presented themselves to me in the course of careful investigations in the rural districts of England. I would further venture to offer for your consideration a point of view which has been the outcome of this investigation, and is based on an aspect of the question which so far appears to be ignored by those who take this matter up. This point of view is that it is sufficiently demonstrated in England already that the small holding system, when given free play, is an economic success; that where it has apparently failed it is due to the fact that those economic causes which affect the existence of small holdings, from the standpoint of profit, have been restricted by our system of land laws and customs: that is to say, by the prevalence of large estates, entail, primogeniture, and cost of land transfer, not to speak of the amenities accompanying possession of land in which sport takes the foremost place.

It follows from this that to establish small holdings to a greater extent on a sound economic basis, either these artificial conditions must be wholly or in part removed, or the small

¹ Read before the Congress of the Royal Economic Society, 1907.

holding system must be protected by counter legislation. To conclusively prove my point I should first state my case for asserting that small holdings are economically sound when the forces effecting them are allowed free play. I would then be in a position to go on and say, this being the case, what are the lines on which their extension can be carried out. I am perfectly prepared to maintain this assertion, which is founded merely on observation of actual facts, which anyone can go and see for himself to-day; but the limits of this paper do not allow me to do more than allude to it in general terms, without giving the exhaustive proofs which I have at my command, and I propose, therefore, merely to confine myself to the consideration of how these facts should influence our future action in regard to a further extension of small holdings.

We have first to consider what are the data we have to go upon. Small holdings are not a new experiment in England; they exist more or less universally over the country, and their occurrence is due to many varying causes. For the purposes of my argument they can best be divided, according to their origin, into three classes.

First there are the *survivals of ancient holdings*; these holdings were made largely in the first instance by squatters, or by tenants holding long leases of uncultivated land at a nominal rent; these men got the land into cultivation and erected their own houses. The creation of further holdings under such methods not being possible they have not much to offer us in the way of suggestion as to further extension.

A second class of holdings are those which have *arisen naturally* in more modern times, owing to the presence of suitable conditions. We have many instances of these in market garden and fruit-growing districts, which have been opened up or extended in the last fifty years. In these places we invariably find that the ordinary commercial transactions in land arising from supply and demand have been unhampered by any of those conditions due to our land systems, which so often prevent any extension of small holdings in this natural way; that is to say, there has been an absence of any very large landowner in the district, and the land has been held in a way which brought it naturally into the market in the course of years in manageable quantities. This type of holding only serves to indicate the vast possibilities of a natural growth of holdings on a purely economic basis, if such conditions of land tenure were more universal. No doubt there are very many areas where an exten-

sion of holdings is only prevented by the results of our land system; but while this land system exists a study of this class of holdings cannot help us further towards ideas as to a more universal extension.

The third type of holding can be classed as *experimental*, whether started as a result of private venture or under legislative action. It is this type which is of special interest to us, being as it is on the only lines of future progress.

To know what exactly are the best lines for such future endeavours we must be quite clear as to what are the conditions necessary for success; one arrives at what these conditions are by a study of those under which existing holdings seem to flourish.

As it would take too long to make a thorough and exhaustive study of the conditions necessary for success, I am going merely to consider them in a general way in connection with certain current fallacies with regard to them, always bearing in mind that what we want to arrive at is the method of extension.

The first of these fallacies is that most of the land in England is unsuitable for small holding cultivation, and that small holdings can only succeed under rather special conditions, which are not to be found in more than a few favoured localities.

If it were always necessary to get an entire living off the holding there would be some truth in this statement. An entire living implies a large production off a small area, *or* the production of produce whose price will admit of a relatively large outlay on capital and labour; this would mean that the soil must be very fertile, or that the climate must be propitious for early crops, or the land must be situated near some market where the relatively high price obtained for the produce pays for the extra expense of labour and manure entailed in the cultivation of poorer soil.

In so far, therefore, as small holdings are looked upon as supplying an entire living, there is truth in the statement that *under present conditions* much of the land of England would not be suitable unless there were the favourable circumstances mentioned above. But it is a dangerous truth—because it is only a grain. I have said under present conditions advisedly, because Denmark has shown us how poor soil and late climate and a market no nearer than London have been no deterrents to its small holding cultivation, when this cultivation and the subsequent disposal of produce are made the object of scientific organisation.

It may well be asked, if Denmark has done this, why cannot we proceed on the same lines? There is a strong feeling about this amongst a certain class of philanthropists and reformers at the present time which is finding expression in the formation of small holding colonies; these areas are cut up into arbitrary, three or five acre plots, and are expected, regardless of surrounding conditions, to yield livings by the adoption on them of Continental methods of cultivation and disposal of produce. These experiments will certainly be regarded with interest, and will, without any doubt, be remarkable as object-lessons one way or the other. But to me this arbitrary creation of holdings which have not grown out of the natural conditions of the country—this forcing of a set of conditions on circumstances not grown up with them, and, in so many cases, alien to them, can never solve to a universal extent the problem of the extension of small holdings in our country.

I will endeavour to give my reasons for holding this view as shortly as possible. It will be necessary first to show how we differ from Denmark.

I have said that in considering conditions of success the presence of certain special conditions was only necessary when an entire living had to be earned off a small holding; but in England, perhaps, the most important part that small holdings have to play is in their connection with other forms of employment—a connection which makes it possible to follow the other form of employment to a greater advantage, while at the same time the land is practically getting the benefit of the capital derived from another source. We have in this an advantage which Denmark does not possess. Denmark is a purely agricultural country; there are no mines, no industries to speak of, and her large towns are few. She is practically dependent on her soil; her problem, therefore, is how to manage her little bit of land so that, despite of poorness of soil, absence of markets, and backwardness of climate, it will provide an entire living for the bulk of her inhabitants. She has done this by stringent legislation for preventing the aggregation of land in the hands of a few, by reducing the cost of production to a minimum, and by organising disposal of produce so as to receive the maximum for it.

But now let us compare our case. Unlike Denmark we have certain tracts of soil in England which are so fertile that their natural productivity can supply an entire living on a small area even where other advantages are absent and no specially organ-

used methods exist; we have tracts where sheltered climatic conditions produce the same result; we have manufacturing towns supplying local markets in widely diffused areas. Where these conditions exist small holdings are remunerative on their own merits and without any of the methods of organisation such as are absolutely essential in Denmark. They encourage our individualistic methods.

But such tracts where these favourable conditions occur are comparatively few; most of our land is as unsuitable as the soil of Denmark. And yet we find small holdings in large numbers flourishing, and a population attached to the soil on these seemingly unsuitable areas. This is the case when the surroundings are such that small holdings are valuable as adjuncts to another form of occupation; and this form of adjunct is so varied, and, therefore, is possible under so many varying conditions, that we arrive here at the reason why small holdings can, in all probability, be established successfully all over the country; and the assertion that special conditions or Danish methods are necessary falls to the ground.

This possibility of success for small holdings under conditions not favourable to actual small holding cultivation makes it easier to establish them on a large scale all over England on a sound basis; *i.e.*, a basis of profit both to the cultivator and the owner; but, on the other hand, there is no doubt that it does stand very much in the way of establishing a system of cultivation on the Danish lines. English conservatism prevents a change of methods while people are getting along all right as they are, however much that change might add to their prosperity; systems, therefore, of co-operation are hard to induce on such areas where time-honoured and strongly-planted individualistic methods have first to be uprooted, and all those organisations arising from individualistic methods, such as the middle man, present a strongly organised front to the attack.

Our problem, then, differs from Denmark's in this: it is not that, primarily, of how to make a small area yield a living; it is how to undo the immense evil which our customs and land laws have created in the country by tending to withhold the land from the people who could turn it to profit, and so afford a natural supply to the economic demand created by the benefit which small holdings confer on such a large and varied class of the community.

As it is, this demand is either not supplied at all; in which cases the trained agriculturist is forced up to towns, where, being

more able-bodied, he displaces some town-bred weakling, who, in his turn, is sent out at vast expense to the country to a labour colony and trained in digging; if he proves moderately successful at this it is suggested that Government should provide him with the small holding, which they have practically denied to the naturally-trained and able-bodied countryman.

Or, to take the case where attempts have been made to supply this demand in an artificial manner, such as through a county council, evils arise and have to be guarded against which would not occur if the demand was supplied by ordinary commercial methods. Just to give an instance, the chief of these evils is the selection of the wrong tenant, a circumstance quite fatal to any success. In a natural system of supply the right man automatically works his way to the top—and what he acquires he does as a result of his own industry and thrift. But in any system of artificial creation of holdings, faulty human judgment, or, perhaps, political or private considerations, take the place of the natural selection, which selection in itself arises out of the same economic laws on which are based the whole of the remaining working-out of the system.

I am arguing that our problem is primarily how to supply a demand that exists; in sticking purely to this point I do not wish to be taken as disparaging the idea of introducing systems of intensive cultivation and co-operation; this I look upon as the next step, and an essential one when, small holdings being more universal, there is greater competition. But I do want to emphasise the point of view that the first thing to do in England is to get those places supplied where small holdings are run on known lines, and where men are still clamouring for land. Endeavour, perhaps, as a collateral step to induce co-operative methods, &c., here; then, when such systems are established and their benefit realised, it will be easier to extend them to those areas where, as in Denmark, there are no outside helps for carrying on small holding cultivation, and where, therefore, an attempt to introduce small holdings at present would be to court disaster.

To return, therefore, to the really momentous question, the supply of holdings. I have indicated that, in those places which do not happen to be specially hampered by the results of our land laws, other conditions being suitable, small holdings develop as a natural process on ordinary commercial lines. As instances of these I would mention the fruit-growing districts of Cornwall and of Cambridge, and the market-gardening districts of

Evesham and of Bedfordshire; the seed-growing districts of Essex at Coggeshall and Tiptree. Here the mere fact that small holdings are so remunerative to cultivate as small holdings puts a value on small areas of land which is relatively very much higher than that of larger areas, and the result is that land is put into the market, whether for sale or hire, in those lots which are not beyond the reach of the small man's capital, whether this be in the form of cash or his own labour. •

But we have got to face the fact that the possibility of such natural growths to a universal extent is impossible. Our land system will not be radically altered in our day.

We must, therefore, fully recognise that, in spite of its attendant evils, the creation of further holdings must be established artificially. The old original holdings created by the small holders' own labour without the aid of capital have been swept away largely by our own legislation; the conditions have changed which made their cheap creation possible; our legislation must, therefore, reinstate them; and the price we must pay for the retention of these old damaging laws is the amount of loss likely to be incurred by the artificial creation of a system which, were economic laws allowed free play, would cost us nothing.

But having recognised the fact that in one sense the re-creation of small holdings must be done by artificial means, surely we must endeavour to make these means adapt themselves as closely as is possible to the actual requirements of the case as it stands at present, and approximate our methods as near as possible to what would be a natural supply to the existing demand. I contend that this is not done by establishing colonies on new and experimental lines, and trying to superinduce on the rural districts a system which is entirely foreign to all the other forces acting on them. These colonies have their value as experimental stations, and there their value ends for the present.

Meanwhile, what is the state of things which is calling out for immediate and pressing reform? I have been up and down the rural districts in England, from Northumberland to Land's End, from the Norfolk coast to Wales, and I know the land hunger of the counties whose county councils announce that the requirements of the district do not justify them in putting the Act into operation; and by land hunger I do not mean the vague aspirations of the ignorant loafer, I mean the unsatisfied demand of the skilled trained workman who only asks for his raw material. I am distinguishing between the man who, as they say at

Evesham, is born "with a fork in his hand" and the man who is "born tired." I maintain that as far as anything in the nature of an experimental supply has gone, it proves that where it is wisely done and in answer to local demands it is a success; as instances of this might be mentioned the county council holdings of Worcester and Lincoln and Norfolk, and the colony of holdings initiated by Major Poore at Winterslow; but where such experiments have been apparently a failure, such as was the case with Lord Wantage's Small Farm and Labourers Land Company, and in the case of inert county councils or those whose attempts have not been wholly successful, I wish strongly to point out that the failure is due *not* to the fact that there is no adequate sound demand which wants supplying; it arises because the supply has been offered under such terms or in such a way that the really shrewd competent small holder knows better than to make use of it; and that the applicants who do come forward are generally not the satisfactory type of man which the experiment was framed to help. Take the case of Feargus O'Connor's settlement near Oxford, or the holdings originally started by Lord Wantage's Land Company near Cambridge. There were shrewd local men who, though anxious for land, were wiser than their would-be helpers, and refused to take the land on what they knew to be unreasonable terms; these are the men who, if you go down there now, you will find on this same land making not only a living but a fair competence. They had waited quietly until the failure of the company in each case had necessitated the land being offered at its proper market value. These men were here all the time wanting land—yet at the time the Land Company was starting, we hear that there was no demand amongst local men. Arguing partly from what I have seen in this direction I would put forward this suggestion: that the nation must be prepared to undertake, to a certain extent, the cost of the re-creation of holdings; the men cannot, under all conditions, be expected both to pay for the equipment of their holdings and at the same time be getting a living from them, although in many cases this is possible. Once created, these holdings can be run without doubt on a sound financial basis, but I argue that, taking into consideration that the economic forces connected with them have not free play, it is not fair to estimate their economic success in a way which includes the cost of their initial creation. I am not going into the actual question of legislation, because I understand that is to be dealt with in another paper. But in the framing of any policy I would urge

that the rather special natural advantages of our country should be more fully considered, and legislation framed to foster the results of favourable conditions, such as the conjunction of the land with industries arising from these natural advantages of a commercial and manufacturing nation; our agricultural pursuits should be interwoven with our manufacturing and industrial pursuits; the latter should not merely prove, by the counter attraction of higher wages, to be the stumbling-block to an introduction of Continental methods, which have arisen from the fact that there was no alternative but the soil.

Where economic forces have been allowed free play we invariably find that the instinct of the English small holder is to combine his agricultural work with some form of wage-earning employment; and, in like manner, the industrial workman instinctively looks to his small plot of land to fall back upon in slack times. We see the capital derived from other sources of employment put into the land as into a bank, until the small man has equipped his holding and established himself on a firm footing; then he can give up his other employment and depend entirely on the land. This is a natural process which is being worked out at this moment in many parts of England, where it can struggle free from the results of damaging legislation.

L. JEBB

GOVERNMENT AND LAISSEZ FAIRE.

THE writings of English and American economists have lately begun to show a more lively interest in the fundamental problems referred to by the title of this article. I have often felt that the efforts of German research to do justice to these questions, and the achievements contributed by German administrative institutions to their solution—so far as solution from this side is feasible—have not met in England and America with the appreciation they deserve. The following pages aim at throwing a little light on these achievements, in the hope of dispelling some of the most conspicuous misunderstandings that exist on the subject.

A little while ago I read the following, by an English writer :—“One of the few things which every German knows for certain about England is that there are a million people in London living in extreme poverty on the verge of hunger.” I am of opinion that when scientific men of different nationalities are discussing the subject-matter of their common science, they would be well advised to disregard completely “the things that every German knows about England” and “every Englishman about Germany.” When Edmund Burke in his “Reflections on the Revolution in France, intended to have been sent to a gentleman in Paris,” wrote :—“I have often been astonished considering that we are divided from you but by a slender dyke of about twenty-four miles, and that the mutual intercourse between the two countries has lately been very great, to find how little you seem to know of us,” he was content with the limited audience consisting of these “gentlemen in Paris” for whose instruction he was writing. Their views provided him with ample material for his dissertation, and he did not find it necessary to inquire what every Frenchman might know about England.

It must be admitted that there is a tendency among foreign

critics of German affairs to select for their consideration precisely those institutions to which the dictum that "distance lends enchantment to the view" is least appropriate. And this is especially the case with the more recent developments inaugurated by the foundation of the German Empire. If this were only an instance of the kind of vulgar ignorance which characterises the beliefs of any nation respecting the conditions of life among its neighbours, we should let it pass; but it is unfortunately a constantly recurring feature of the judgment passed on Germany by the scholars of foreign countries. In the interests of science no pains should be spared to bridge the gulf that must exist between different states and countries. The means at our disposal are, first, an exhaustive study of the published records, official sources of information, or scientific writings of the foreign country, and secondly, a thorough personal investigation of the actual conditions, which the literary studies are only intended to supplement. These tasks, we may safely maintain, have been fulfilled much more adequately by the German scholar in England than by the English scholar in Germany. Nor is it at all likely that this unfavourable comparison could be justified by the claim that German research has much to learn about England, while England has little to learn about Germany. There is no basis of fact to warrant such an excuse, which must be relegated to the category of things "that every Englishman knows about Germany."

II

It does not, however, fall within the scope of this article to follow out such a line of thought, and I propose to limit myself to economic questions. These, however, inevitably lead to wider issues as soon as they are considered in relation to the great problems which have led me to write this article.

There is a widespread fallacy which is to be met in England and America as well as on the Continent—which has indeed gained credence all over the world. This is the identification of political with economic liberty, the popular view that the two are closely connected and mutually interdependent. An illusion this, which is effectually dispelled whenever a Frenchman, German, or Italian lives through his first Sunday in England, or, better still, in Scotland, and finds himself bereft, in this home of liberty, of all means of satisfying the elementary

human need of meat and drink. How often have these disappointed men exclaimed in indignation: "And this is called a free country!"

And yet England deservedly called itself a free country at a time when, besides the old Puritan Sabbath, restrictions very different in severity from those of to-day limited the freedom of economic life. Still, this country, with its traditional liberty, adapted itself very successfully to the far-reaching new restrictions which limit economic freedom in the British Empire of to-day. A state of things which leads us to the conclusion that political liberty varies inversely with economic liberty, or, at any rate, that the former paves the way for the restriction of the latter.

The fact is that political and economic liberty are essentially dissimilar. The most complete recognition of this truth is expressed by the "free democratic state" of Marx and Engels' communistic manifesto. Here we have thoroughgoing political liberty in conjunction with the most extreme restrictions of economic liberty; political power of the social democratic order absolutely vested in the state, while the individual as such is deprived of all initiative in the economic sense. This abstract combination, however, only serves to emphasise the dissimilarity of the two conceptions. There is, indeed, a point where it becomes clear that they have a common root. The Utopian element in Marx's "free democratic state" is this supreme power vested in a free people. What are the facts as compared with the theorist's Utopia? What is the lesson taught by the experience of English politics, or by the history of the Swiss Canton?

There is in all ages and in all places an enduring and unavoidable conflict between individual liberty and political power. No community, however small, can dispense with some form of rule to which every man must submit; but, on the other hand, each individual free citizen would like to impose his will on the community. An ordered state, therefore, can only exist in virtue of a compromise between rule and liberty. In the primitive communities of the Germans, as described by Tacitus, we find all the power in the hands of distinguished clans and popularly elected leaders. Where the political constitution of a state approximates to this primitive arrangement, where the conditions are simple and the tasks of the government modest, there is in consequence little opportunity for the development of the ruling function, and the opposition between political rule

and economic freedom is correspondingly inconspicuous. Hence the affinity of Switzerland, more especially of its ancient characteristic cantons, to these primitive conditions. Here there is no royalty and no professional official class. The people still assemble, according to the old custom, in the open air on specified days in the year; settle their laws and elect their leaders, whom they prefer to choose from a good old stock. Even the judges of to-day are usually not lawyers of erudition, but simply men chosen from the people. But even here the increase in the magnitude of public affairs has wrought a change, which, in the larger and more modern cantons, and, moreover, in the associated Federal State, might almost be called a transformation. One of the most characteristic features of the new *régime* is the creation of an official class, or, as it is often disparagingly called, a bureaucracy. As soon as public affairs attain a certain degree of importance, difficulty, and complexity, they require for their direction men of experience, trained for the purpose and exclusively devoted to them. The man elected from the people no longer suffices: he lacks the necessary time and indispensable equipment; often, too, he has not the mental and moral calibre requisite for the post.

Si parva licet componere magnis, the course of events in England has been very similar to that of Switzerland. Both nations cherish the indestructible Teutonic ideal of freedom in a very high degree, both struggled long and successfully against the modern conception of the state, with its regulative functions. This similarity is borne out by their institutions. In England also the central power, unlike that of most Continental countries, was limited to a minimum of activities, while the ancient freedom of the community lived on under the form of local self-government. Between the two, however, there remained a gap, which was gradually filled up by the sphere of private effort and free enterprise in the economic sense of the term. Every new invention widened the sphere and increased the importance of the achievements of private enterprise. High-roads, canals, railways, telegraphs and telephones, waterworks and gasworks, and many other works of public utility all come under this head. There was a widespread conviction at the time, not in England alone but also in Germany and elsewhere, that this joint harmonious reign of political liberty and *laissez faire* ensured the best of all possible conditions in this best of all possible worlds. The prevailing view met with its first challenge in England at a comparatively early stage of its exist-

ence, and it was the progress of English economic development which provoked this criticism. The duties of modern society increased at a rapid rate, and the resources of the old institutions and the old self-government proved themselves correspondingly inadequate.

This was most clearly revealed by the factory legislation of this country, where, if anywhere, the inadequacy of the old English system of local self-government met with its most emphatic condemnation. The law itself during about thirty years, so long as it was administered by the local authorities (in accordance with the law of 1802 which entrusted the Justices of the Peace with the appointment of Visitors), remained practically a dead letter. The creation of factory inspectors by the Act of 1833—a real boon to the nation—transformed it into a living power. There is no denying that this was and is an institution of the bureaucratic type, and it was precisely in proportion as the inspector grew more of a bureaucrat instead of being the mere irresponsible holder of an honorary appointment, that he became an important and effective instrument for social reform. The new official was appointed at headquarters and endowed with powers which involved a wholesale encroachment on the rights of private property; his office was organised as a great self-contained authority with increasingly extensive jurisdiction. In short, this specimen of new English bureaucracy was a fitting model for the kind of institution which a modern state requires, whether that state be England or any other. This is all the more remarkable that the policy thus entered on by England had long since been adopted by Continental nations. But—and this is particularly instructive—it was by no means in conscious imitation of Continental institutions that England adopted this policy. Such a course would, as everyone knows, be quite inconsistent with her usual custom. She was driven into action by sheer necessity, for factory inspection is a *conditio sine qua non* of effective factory legislation. The new institution was, so to speak, the spontaneous expression of forces inherent in the old conditions. Further, it was so entirely successful in England that it became the model for the rest of the world, including even those countries which were themselves more experienced in the creation of bureaucratic offices. Even Marx rendered full justice to the services and successes of England's factory inspectors. Nay, more, the admiring tribute which he pays to the leading inspectors betrays him into heresy on his own

ground, and in view of these men's work he admits that social reform is not impossible within the limits of the social organisation of to-day.

The success of bureaucracy in furthering the cause of social peace in England would be all the more remarkable if we could grant that, as has lately been contended, "in Germany the dominion of bureaucracy has combined with other causes to develop a bitter class hatred, and to make occasionally social order depend on the willingness of soldiers to fire on citizens." The facts have proved that bureaucracy, when not combined with other causes, produces the very opposite of bitter class hatred. As regards these other causes, and the existence of bitter class hatred in Germany, we are scarcely competent to pass judgment without a very exact knowledge of German conditions, and it is difficult to find a thermometer which shall accurately register the various degrees of class hatred in England, Germany, France, and Italy.

But, to return to facts, there are other bureaucratic institutions in England besides factory inspection which have made good their claim to the title of aids to the cause of social order. For the last fifty years, the working classes have included in their programme a demand for stipendiary magistrates in lieu of the justices of the peace, who are a survival of the old self-government, because these, in their opinion, are indelibly tainted with class prejudice. It is these and not the bureaucratic stipendiary magistrates, who, by their verdicts in cases of industrial disputes, have stirred up bitter class hatred in the hearts of the English working classes. But what, after all, is the stipendiary magistrate if not the exact equivalent of the German *Amtsrichter*, who has existed under a succession of different names for several centuries? What is he but a typical bureaucrat, a member of the professional official class as distinguished from the old representative of self-government?

A long series of instances, besides, serves to prove that England is being driven more and more to recast her ancient institutions in what we may call the Continental bureaucratic mould. The new movement in the direction of Municipal Socialism is, if anything, a tardy transformation of those local institutions which have so long been regarded as typically English, into something partaking of the spirit of German national and municipal administration. The old glory of chaotic water companies, gas light companies, &c., is making way for the uniform rule of town or county council; the tramways and

many similar concerns are passing from the joint-stock companies that controlled them into the realm of public affairs. Where a town is permeated by the democratic spirit the change is correspondingly thoroughgoing. Telegraphs have long since gone the same way, but telephones must work out their lengthy period of chaotic private effort in the good old English fashion before they reach their fate. The great Savings Bank Department of the Post Office was instituted by the same statesman who brought the telegraph within its jurisdiction.

Further, in 1844—and again it was Gladstone who was largely responsible for this measure—an exhaustive Parliamentary inquiry into the railway system resulted in a scheme for abolishing the tyranny of the railway companies by means of nationalisation, and a Bill was actually carried for the purchase of the lines by the State. The attempt eventually fell through—a consummation which I personally cannot regard as a mere manifestation of higher wisdom on the part of the country.

And how very narrowly compulsory education escaped the epithet bureaucratic in the disparaging sense until it found a place of safety in the statute-book. What a brusque inroad into the sanctuary of the family, into the liberty of parents and children! And yet the deed was done and had to be done. It was but another inevitable step in the same direction as factory legislation, a measure of social reform which Germany had long since adopted.

The above examples are, I think, sufficient for my purpose, and it needs no gift of prophecy to venture the opinion that the future will make these instances increasingly numerous and effective.

III

We pass to the consideration of Germany.

There existed in Continental states, and more especially in France and Germany, long before the Revolution of 1789, a form of administration which has since been popularly called bureaucratic. The bureaucracy, in Germany known as the "*Beamtentum*," was a class of salaried officials who devoted their lives to the service of the state. They usually held the judicial and administrative offices of the country; they were specially trained for this service in the school of Roman law, and the consideration attaching to such training has to this day

provided them with the external equipment necessary for the discharge of the duties of most of the offices concerned. In some countries, as for instance in France, the legal profession developed a hereditary nobility of its own. On the other hand, when the great Revolution challenged the entire constitution of society, this branch of the administration shared in the general disfavour. It was no less a person than Baron vom Stein, the great Prussian political reformer of the age, an enthusiastic admirer of the old English form of administration, who wished to restrict the activity of the official bureaucracy to the narrowest possible limits, and substitute for it the self-government of the property-owning classes. He taxed the bureaucracy with every fault that has ever been laid at its doors. He wished to fill its place with men who took an active share in practical life, so as to infuse a stirring, creative spirit, and a diversity of opinions and feelings taken from the rich manifold of nature, into the administration of the country. Participation in public affairs should be for men what educational institutions were for children—a school of public spirit. A manufacturer or a merchant, thought Stein, should be capable of discharging the duties of mayoralty in addition to the prosecution of his own business.

These ideas have attained fruition in the administration of Prussian and German towns during the past hundred years, to a much more modest extent, however, than the great reformer intended. The professional official has become more and more indispensable in the course of the past century, and it is precisely in the German city administrations that the class has most steadily increased, both in numbers and in range of influence. The change, as might have been expected, has been most marked in the last decades. Even a hundred years ago it was only in a very small town that a busy merchant's or manufacturer's leisure could suffice for the adequate fulfilment of the mayor's official duties. But since then public affairs have grown so much in extent and complexity, the towns themselves have increased so much in size that the majority, especially the larger ones among them, have developed a kind of new municipal bureaucracy, without which they could not exist at all. The intensity of the work of administration and the addition of a series of new and special duties call for men specially trained for, or at least completely devoted to, their fulfilment. These men form the backbone of the administration, and it is only in the supplementary and controlling elements that there is room for the type of administrator dreamt of by Stein. This applies

to towns numbering from two million to five hundred thousand inhabitants. It applies equally to populations of a hundred thousand to five thousand, or even less. In short, Stein's ideal is completely realised only in the chief of a village community or of a very small town.

And what of the men themselves who compose this bureaucracy, national or local? Looking at their moral qualities, their integrity, and their standard of duty, we may say that Germany can be justly proud of them as a class. This has quite recently been most emphatically admitted by *The Economist* with reference to some events of a doubtful character which had occurred in the administration of some English towns. The faults here are due to lack of suitable training for the office—a fact to which I have often drawn attention. The best example in this respect is to be found in Germany itself, and a comparison of the smaller states with Prussia will reveal the superiority of the former.

The main question, however, must be whether the defects necessarily inherent in bureaucracy as such can in any way be avoided?

The most easily remedied are those which depend on the disposition of the individual critic—those which, as a matter of fact, do not exist at all. I am referring to a variety of things observed in England. There is no place in the world, with the solitary exception of Russia (where, however, the tyranny of the Customs officer is mitigated by his corruptibility), where I have suffered so painful a control of Customs as in England. If an Englishman's luggage were overhauled by a German Customs officer with anything like the thoroughness which I have repeatedly experienced at the hands of the British official, he would probably ascribe this to the German bureaucracy. Personally I call it devotion to law and duty, and I admire the English official, while I cannot by any means count the usually slack procedure of the German inspector—however much it may conduce to my private comfort—as an advantage which we owe to our institutions.

It would be a pity to let private opinions and prejudices enhance the drawbacks inseparable from any form of bureaucracy. Since the whole trend of our development in Germany as in England inevitably makes for increased public responsibilities, we cannot hope to escape whatever drawbacks are incidental to this state of affairs. If we agree on any point with Marx, it is with his prophecy of increasing concentration of certain branches of production into giant concerns,

and of the growing supremacy of the few in the industrial community. There exists a theory—a beautiful dream—to the effect that some institution might be devised to steer a middle course between the uncompromising extremes of Government interference and *laissez faire*. The theory was even quite recently discussed by German economists. All that such an arrangement appears to require is a constant supply of noble-minded persons who shall combine in themselves the advantages of both alternatives while avoiding all the defects incidental to either. The dream has its uses, for it draws attention to the importance of the ethical considerations which lie at the root of all questions of social organisation. But in practice we are met by the problem of finding the kind of men whom the theory requires—a difficulty which, in the present age, appears quite insuperable. And it is, therefore, particularly to be desired that we should not take up our positions on this high ideal platform, and from this point of vantage proceed to undervalue the actual and attainable, and to emphasise the drawbacks of the existing state of affairs.

And when a state is so organised as to reap the benefits of modern methods of government more rapidly and effectively than we do, it is hardly fair to judge it with a bias that will make its virtues appear necessities, in order that we may exalt the necessities of our own administration into virtues. The criticisms passed on Germany by her neighbours, the favourite parallel of her institutions with those of Russia, a parallel which goes no deeper than the similarity between the names Russia and Prussia, the vulgar prejudice against the lack of liberty of the German constitution, the coining of the popular term of disparagement bureaucracy—all these are manifestations of the general ignorance that exists on the subject of German administrative institutions. And there is another error closely connected with the above-mentioned prejudices. It is generally supposed that a highly-developed system of government regulation of economic affairs argues the existence of ancient bureaucratic traditions. A striking example proves the very reverse. We know how far Switzerland is from possessing bureaucratic traditions; how, on the contrary, the particulars in which she differs most conspicuously from the other civilised nations of to-day present all the characteristic features of a mediæval constitution surviving in a modern world. Here are twenty-six sovereign states, which taken together would hardly make up what we are accustomed to call a small European state; twenty-

six tiny, democratic, self-governing communities, clinging tenaciously to their independence in face of the overwhelming force of modern tendencies. But already the needs of the present day have set a limit to this uncompromising attitude. For a great part this remarkable collection of cantons of the smallest dimensions is as irrevocably committed to modern economic conditions—to international intercourse, trade, and industry, technical ability and capital enterprise, as any other modern state, however different in size. This modern side of the Swiss national life cannot dispense with political institutions which are in themselves as inconsistent as possible with the ancient self-government of the small cantons. If the German Empire had from the outset a common factory law, a similar uniformity is all the more indispensable for the small industrial cantons of Switzerland. Granted that an Imperial railway system would be suitable for Germany—and a great step in this direction has already been effected during the last thirty years by the organisation of the Prussian and other state lines—a uniform system of federal railways is certainly the best service for the much smaller area covered by the Federal State of Switzerland. In the efforts which, during the last ten years, have brought this reform of the Swiss railway system to a happy consummation, we have a wonderful instance of a central institution, which was really adapted to the needs of the country, making successful headway against the opposing stream of the centrifugal tendencies of the canton. It was a reform modelled on the Prussian and German State railways—a new bureaucratic measure grafted on to the modern economic progress of a democracy of the most ancient type. For half a century Switzerland had been struggling with a *laissez faire* railway policy; new laws had been constantly passed to bring the service into line with the requirements of the traffic and the population. The smallness of the cantons had from the outset made effective control over the companies impossible. Only the Federal State could hope to take the matter seriously in hand. As, however, the regulations which it imposed failed, after many experiments, to give satisfaction, Switzerland eventually followed the policy which the German states had already adopted. The railways were taken out of the hands of the companies and placed under the control of the Union.

I have never observed any signs of discontent on the part of the Swiss with their new railway bureaucracy. And, indeed, it has occurred to me that any form of bureaucracy is most

loudly condemned by the country which does not happen to possess it. In England the eminently bureaucratic character of the Post Office constitutes no grievance, and I have not heard that anyone would wish to return to a *laissez faire* policy in this connection. Even the verdict of an orthodox individualist like M. Leroy Beaulieu was given as long ago as the publication of his *Traité des Finances* in favour of the French Government tobacco monopoly. And yet, when it was proposed at the same period to introduce a similar measure into the German Reichstag, there was much opposition from a party unfavourable to bureaucratic legislation. Whenever an institution really meets the needs of the population, habit tends to familiarise and custom to endear it to those who live under its rule. And the knowledge that it probably represents the least evil possible in the circumstances tempers the criticisms that naturally assail its drawbacks.

An opportunity will perhaps present itself of dealing more fully with this important subject. So far I have treated it in bare outline, and can only hope that the sketch which I have drawn may give some indication of the problem at issue.

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ECONOMIC LITERATURE IN FRANCE AT THE BEGINNING OF THE TWENTIETH CENTURY.

IN an article which I contributed seventeen years ago to an American review¹ on economic teaching in France, I regretfully concluded that economic science, so brilliantly inaugurated in France by the Physiocrats, had not maintained the level which might fairly have been anticipated for it. I concluded, however, with the hope that the nineteenth century would not close before the ancient tree had put forth new blossoms, and the Physiocrats had lived again in descendants worthy of them.

That hope has so far not been realised. The nineteenth century has given place to the twentieth, without bringing any renaissance worthy of the name. We have looked in vain, these last fifteen years in France, for instance, for any new school making a stir in the world like the Austrian school, or for any individual achievement as masterly as those of Professors Marshall and Schmoller, or for an enthusiasm in the study of pure economics rivalling that manifested in the American universities.

This is no evidence of the lack of distinguished economists in France. It only goes to show that the causes of the relative sterility in the scientific output of France during the latter half of the nineteenth century are, unfortunately, still operative, and also that the new elements, which suffer us to augur better things for the future, have not yet produced their effects. I shall try here, not so much to give a complete biographical review of French economic literature of to-day, as to point out the different currents among which we may distinguish the economic movement of our country, and which might prove more or less baffling to a foreigner.

¹ "The Economic Schools and the teaching of Political Economy in France," *Political Science Quarterly*, 1890, vol. 4.

The centre, the nucleus, the temple of economic science in France has long been "l'Institut." This it is which has maintained intact, during the whole of the nineteenth century, against every wind of adverse doctrine and the Germanic invasion, the pure traditions of the French "Liberal School." Quite recently even, in one of the Saturday weekly *séances*, and by the mouth of certain of its most authoritative members, it has declared its loyalty to the old flag.¹

It has lost many eminent members during the last ten years: Courcelle-Seneuil, Léon Say, Maurice Block, Baudrillart, Juglar. And there are doubtless differing shades in the opinions held by the eight members actually composing the economics section,² and yet greater differences between them and their predecessors in that section. They are more or less hostile to intervention, to protectionism, to socialism. Regarded, however, from some distance, these shades of difference become merged in a remarkable unity of tone.

This much may nevertheless be said, that, from the point of view of method, a certain transformation has taken place, in that the majority of the members of the Institute have professed their adhesion to the realistic school. Not all have retained the stern opposition of the *doyen* of the Liberal School, M. de Molinari, who for sixty years has valiantly upheld the doctrine of absolutely free trade, and who has so long lived in Paris that, in spite of his Belgian nationality, we may claim him as a Frenchman. At over eighty years of age he has just published his twenty-sixth book, *Questions Économiques à l'Ordre du jour* (1906).

For the most part they remain faithful to the Liberal theory, not, they say, through any *a priori* principles, but because observation of facts daily proves its truth. This categorical affirmation finds notable expression in a book published

¹ M. Paul Leroy Beaulieu says, "We protest against such appellations as 'Orthodox School' and 'Classical School.' We claim only the honour of calling ourselves 'the Liberal School.'"—*Report of the Academy of Moral and Political Science*, 1906, p. 103.

² MM. Levasseur, Frédéric Passy, P. Leroy Beaulieu, Stourm, de Foville, Cheysson, d'Eichthal, Beauregard, and among the "free" members, the economists, MM. Rostand and Villey. Among foreign correspondents there are only two who belong to the Institute, M. Luzzatti, as free member, and M. de Molinari, as corresponding member.

last year by a newly-elected member of the Institute.¹ MM. Leroy Beaulieu and Levasseur have frequently given expression to it.

It is precisely this method which has inspired the most noteworthy book published by a member of the Institute in the middle of this last decade, viz., *l'Histoire des Classes Ouvrières et de l'Industrie en France*, in four volumes, by M. Levasseur.² Quite recently the Société d'Économie Politique, of which M. Levasseur is president, celebrated both the completion of his great work and the jubilee of his membership of the Society by presenting him with a medal engraved with his portrait, and this device, which is nothing if not true: *nihil in studiis intentatum reliquit*. The motto is eminently suitable for a professor who has lectured, simultaneously and with equal success, on political economy, statistics, economic history, and economic geography. We may also quote his *L'Ouvrier Américain* (2 vols., 1898), the results of investigations made *in situ*, and to the accuracy of which the Americans have rendered tribute; and also the little book on *La Monnaie*, written by M. de Foville, a work in which this gifted statistician, ex-director of the Paris Mint (Hôtel des Monnaies), has successfully rediscoursed on a theme which seemed to have been exhausted by such illustrious economists as Michel-Chevalier and Stanley Jevons.

M. Leroy-Beaulieu has published no new book since his *l'État moderne* of 1890. For that matter he has been fully occupied in revising the numerous fresh editions of his earlier works which have become classics. M. Stourm is similarly engaged on his well-known books on taxation and the Budget.

Beyond the books we have just quoted, the literary production of the Institute has not been at all prolific during the last few years. This is not owing to enfeebled activity in its members, least of all in the veterans, but because it spent itself in action rather than in meditation, partly along lines of social work,³ partly in journalism or politics.⁴ This is, after all, a very general tendency among French economists and one that is obviously little favourable to the advance of the science. But it is not easy for anyone to resist the tendency, still less so when one belongs to the Institute and is pressed on every side.

¹ M. d'Éichthal, in *La Formation des richesses et ses conditions sociales actuelles. Notes d'Économie politique*.

² The first edition appeared, in two vols., in 1867, but the book has been entirely rewritten.

³ E.g., MM. Choysson and Frédéric Passy, the venerated apostle of the Peace movement.

⁴ E.g., MM. P. Leroy-Beaulieu and Beauregard.

But the influence of the Institute on economic literature is not limited to the productions of its members. It reaches far beyond that. This little group of the economic section of the Academy of Moral and Political Sciences should be conceived as a central area surrounded by two concentric circles, that of the *candidates*, then that of the *laureates*.

The circle of candidates consists of those who aspire to become, at some time or other—it may be only, at the close of their life—members of the Institute. Now there are few Frenchmen who can mix in economics, literature, research, or art, without cherishing the dream of “belonging to the Institute.” It is not because this position involves any great pecuniary advantages,¹ but in the public eye it does bestow an indisputable brevet of science which is a crown to fame already won, and a good substitute, if it be not yet won. And those who aspire to be members must evidently hold ideas more or less in common one with another. The Institute is a company recruited by co-option, as are scientific societies generally, but with this difference from learned societies in other countries who themselves designate the individuals they judge most worthy to do them honour, that the Academy only votes for those who have canvassed for those votes by a visit in person to every one of its members—forty visits, that is, for the Academy of Moral and Political Sciences. And as it seldom happens that a candidate gets in the first time, he has to repeat his campaign at every fresh vacancy, it may be five or six times, it may be for the remainder of his life. This convention, which at first sight seems somewhat humiliating, is explained historically by the fact that the Academy used to be, and wishes to remain, a “salon,” where there is conversation but not disputation, a gathering of pleasant company, where each person is safe to meet only his own set. It is easy to see that this tradition is sufficient to keep away all who might threaten to import a discordant note into this concert.²

¹ The members of the Institute are entitled only to 1,200 francs, besides which there are allowances for attendance of different amounts, the average total of which does not exceed 600 francs annually. Professors advanced in years have the advantage of their year of age-limit being postponed from 70 to 75.

² And generally speaking, it is a point of honour with the Institute to maintain its reputation as the guardian of sound doctrine. At the annual meeting, a few years ago, of the Academy of Moral and Political Science, M. Dareste, the President, defined the functions of the Academy as follows:—“Torches are these lit to guide those who walk in darkness, to bring back into the right road those who have gone astray, to suffer no wastage of force and to make all efforts converge to one goal. There is in sooth no lack of goodwill, and free inquiry is open to all; but what

This "set" gravitating about the Institute is a little world of some dimensions, comprising many economists of distinction. Among these it is fitting that we name M. Colson, engineer and Conseiller d'État, author of a *Cours d'Économie Politique* in four volumes, the first of which appeared in 1901, and the last of which is yet to come. It is the most important treatise of political economy published in the French language since those of MM. Cauwès in 1881 and Leroy-Beaulieu in 1896. M. Colson also belongs to the Liberal school, but if his duties in the greatest administrative council of the Republic have not made a State Socialist of him, they have at least kept him out of extreme Liberalism. In other respects the book derives great practical value from the author's high competence in questions of administration, especially in railway matters. Besides this, M. Colson, having studied mathematics as an engineer, has been able to give a summary exposition of the essential propositions of the mathematical school of economists. This had not yet been done in any didactic treatise of political economy written by a Frenchman.

Mention may further be made, among academicians *in spe*, of M. Octave Noël, author of an *Histoire du Commerce de la France*, of M. Liesse, who has published an interesting work on *Le Travail*, and, more recently, one on *La Statistique*, and also of MM. Neymark, Raffalovich, and Raphael Georges Lévy. The last three have devoted themselves more especially to financial questions. There is also M. de Rousiers, author of several books, notably *Le Trade Unionisme en Angleterre* and *Les Syndicats industriels de producteurs* (i.e., Trusts), not to mention many others who are not yet established as candidates, but whose turn is to come.

Besides these, there is, as I have said above, the group of *lauréats*, that is to say, of those who have competed in some one of the numerous subjects set each year by the Academy and have obtained a prize. These are mostly younger men, though some there are who enter for these prizes at no matter what age. It is needless to enumerate them here, and we will only mention the books written by M. Pierre Leroy-Beaulieu,¹ son

wrong moves, what failures, what collapse was not prevented by the presence of the Academy showing the way to go!"

¹ The reader must guard against the mistake, often made abroad, and even in France (recently in this very Journal), of confusing this gentleman with his rather, Paul Leroy-Beaulieu, or with his uncle, Anatole Leroy-Beaulieu, director of the *École libre des Science, Politiques*, and author of a fine work on Russia (*L'Empire des Tsars*). Not that this confusion has at all hindered the success of his books.

of the well-known economist, and by M. André Siegfried, son of the Deputy and ex-Minister of Commerce. These gentlemen have gone round the world and gathered material for several descriptive works, the former having written on the new Anglo-Saxon expansions and on "The United States in the Twentieth Century," the latter on "Democracy in New Zealand" and on Canada. These books have been very well received.

Outside the zone of those who are directly connected with the Institute, the Liberal school has remained the ruling spirit also in certain learned societies, especially in the *Société d'Économie Politique*, to which we have already alluded. This was founded nearly sixty years ago, and its annals constitute the most complete repertory of the history of the Liberal school of economics in France. A frequent contributor is M. Yves Guyot, an economist well known in England as the author of a number of works of an ultra-individualistic character.¹ He is the only one among the leaders of the Liberal school who has voluntarily remained outside the Institute.

The school is dominant, moreover, in some of the leading newspapers—*Le Temps*, *Les Débats*, *La Revue des Deux Mondes*—through which it exercises a very positive influence on the wealthy and educated public, on the upper middle class. And its influence, one may say, is no less felt in the *École libre des Sciences Politiques*, with MM. Stourm, Cheysson, de Foville, &c.²

Finally, and it may be to complete this study in outline of those circles governed by the Liberal school, it would be fitting to name the *Musée Social*. And yet there might be room for doubt on this point. It is true that its Director, M. Mabillean, the leader and indefatigable spokesman of the French "Mutualist" movement, is a candidate for the Institute, and again, that among its most influential officers are two members of the Institute, MM. Cheysson and Georges Picot. On the other hand, several of the leading members of the staff of the *Musée* belong rather to the Catholic school of Le Play, and there is a clearly accentuated tone of interventionism in their publications. It would, for that matter, be inconsistent to find an institution like this founded expressly for the propagation of works of social reform, mutual aid, co-operation, trade-unionism,

¹ The last one published (1903) is *Les Conflits du Travail et leur Solution*.

This school, founded in 1872 through the individual initiative of Boutmy, attracts a number of students from France and other countries, who are training themselves for administration and diplomatic careers.

workmen's dwellings, hygiene, and protection of labour, professing strictly the doctrine of *laissez-faire*. To say the truth, the *Musée Social* has, so far, guarded well its scientific independence, and shown an open door to all who, without distinction of schools, are endeavouring, in the words of its programme, "to ameliorate the material and moral situation of the worker."¹

The numerous group of economists following the school called Le Play, the centenary of which was celebrated last year, approximates so far to the Liberal school that, of some among them, M. Cheysson for instance, it is difficult to say to which they more properly belong. The Le Play school is distinguishable from the Liberal school only in its being more earnestly occupied about moral laws, more actively concerned in the matter of social reforms (the title Le Play gave his principal work, *La Réforme Sociale*, is well known), and in its stricter application of the method of observation. But it makes common cause with the Liberal school in opposing State Socialism as well as all other Socialistic denominations, and in exalting self-help. For that matter the Le Play school has split in two. One section, with the review *La Réforme Sociale* as its organ, has strongly conservative tendencies, and strives especially to uphold family, paternal authority, and the home.² The other, having as its organ the review *La Science Sociale*, and as its leader M. Demolins, well known by his book *La Supériorité des Anglo-Saxons* and several other works, not inferior in brilliancy, but less unrestrained in paradox.³ This latter section has carried to its furthest issues the idea, now quite ancient, of the influence of climate and geographical position on the whole economic, political, and social development of nations. And it has fashioned to its own uses a nomenclature and a system of classification of social phenomena, to which it at-

¹ The *Musée Social* was founded in 1894 through a donation of the Count de Chambrun. Over and above its double monthly publications, the *Annales* and the *Mémoires et Documents*, it has produced, either directly by the pen of its staff-leaders, or indirectly by the lectures and "missions" it has organised, a great number of books. We need only mention those by M. de Seilhac, *Les Syndicats ouvriers et Bourses du Travail* (1902) and *Les Marins-pêcheurs* (1899); those by M. de Rocquigny, *Les Syndicats agricoles et leur œuvre* (1899) and *Le Proletariat rural en Italie* (1904); that by M. Martin St. Léon, *Le Compagnonnage*; that by M. Morlin, *La Participation aux Bénéfices* (1893), and his very useful *Guide Social à Paris* (1906); that by M. André Sayou, *La Crise Allemande de 1902* (1903); and that by M. Benoit Levy, *La Cité Jardin* (Angleterre, 1904; États-Unis, 1905).

² One of its leading representatives who died some ten years ago was Claude Jannet, author of *Le Socialisme d'État et la Réforme Sociale* (1890) and *Le Capital, la Spéculation et la Finance* (1892).

³ As, for instance, one of the most recent :—*Les routes forment les peuples* (1901).

taches a degree of scientific importance that is somewhat exaggerated.

Le Play, as we know, inaugurated in 1856 the monograph of working-class families, according to the budget of their expenditure and income, which has become a method of investigation now generally employed in all countries. The publication of these monographs has gone on regularly ever since under the auspices of the Société d'Économie Sociale, and they number at the present day upwards of a hundred. But we also owe some excellent books to this method of detailed observation; for example, M. du Maroussem on *La Question Ouvrière* (1892, 1898), a very graphic monograph on the different forms of Parisian industry, especially home industry and large shops; also M. Bureau's *Le Contrat de Travail* (1902) and *Le Paysan des Fjords Norvégiens* (1906); and again, M. Blondel's *L'Essor industriel et commercial du peuple allemand* (3rd ed. 1900), which has had a well-deserved success; and perhaps also M. Bellom's great work on *Les Lois de l'Assurance ouvrière à l'étranger* (three vols. 1892-1900), although its tendency is more in favour of State action than is that of the Le Play school.

II

The Faculties of Law and the Institute are the two opposite poles of economic science in France. But the former is of recent date. It may be said to date only from 1878, an epoch when instruction in political economy received official standing in the Faculties of Law, and was included in the programme for the examination of bachelor of laws. This instruction, at the outset, was limited to a single course of Faculty lectures for one year, but it has gradually been extended, at first by the institution of a doctor's degree in economics, which has come to rank side by side with the old doctorate of laws, its curriculum including not only political economy but also the cognate studies of finance, labour legislation, rural economy, &c., and then, quite lately, by the inclusion of political economy in each of the three examinations for "licence," and the creation of a proportionate number of lectures. So that, at the present day, in the Law Faculties, political economy or its cognate studies are taught by about forty professors to about 8,000 students, all of them future barristers, magistrates, civil servants, deputies, or professors. Here, then, is a very considerable force. The

Law Faculties have almost a monopoly of economic teaching;¹ outside them only a very limited number of courses are given, where there are none but voluntary students. These courses are, for the most part, in the hands of economists of the Institute, or of those who aspire to become such.² But no one can teach in a Faculty of Law who has not taken his degree of doctor of laws, that is, has not studied law for five years. And, as I have just said, political economy has only recently received a place in the curriculum of these examinations, so that, with the exception of the junior professors of political economy, who have learnt something of the subject, all the other older men had learnt nothing but law down to the day when they began to teach economics. Consequently, they have all been imbued with the spirit of jurisprudence. They have learnt to study and regard civil laws rather than natural laws; they are more inclined to have recourse to the legislator and the State than to put faith in *laissez-faire*.

Besides this, there has always been an antagonism, from the outset, between the economists of the Institute and those belonging to Faculties of Law, and this has been manifested by lively attacks proceeding from both sides. The first to set fire to the powder was M. Cauwès, then and still professor in the Faculty of Law at the University of Paris, when he published in 1879 his *Précis du Cours d'Économie Politique*.³ This book made a sensation among economists, not only because the author declared himself a Protectionist, but especially because, following the example of the German school, then little known in France, he rejected all dogmatic methods, all inquiry into permanent and universal laws, and studied before everything national economy and legislation. In 1883 the publication of the *Principes d'Économie Politique* by the present writer, and, in 1887, the

¹ Where we say Faculties of Law, other nations would say "the Universities." The Law Faculties, in France, are a part of the Universities, but they form very distinct and autonomous sections, having no relations with other faculties, that is to say, with those of Arts, Science and Medicine.

² We may mention the courses held at the Collège de France (by MM. Paul Leroy-Beaulieu and Levasseur), at the Conservatoire des Arts et Métiers, the École des Mines, the École des Ponts et Chaussées, the École libre des Sciences Politiques, and at some schools of commerce. In the Faculties of Arts (which form part of the University) there is no course of political economy, but only some courses of sociology, and one course at the Sorbonne (the Faculty of Arts in Paris) on the history of social doctrines, given by M. Espinas.

³ The work was in two volumes, but the 3rd edition (1893), entitled *Cours d'Économie Politique*, and containing, besides an exposition of principles, an analysis of economic legislation, numbers four bulky volumes. Although this last edition is now exhausted, the author has not brought out a later one.

founding of the *Revue d'Économie Politique*, as the organ of the professors of economics in the Faculties of Law, with the avowed programme of reaction against the doctrines of the optimistic Liberal school, and the propagation of foreign, especially German economic schools,¹ completed the rupture.

Nevertheless, it would not be correct to say that the rupture was absolutely general. Some of the Faculty professors have remained loyal to the Liberal school. Two of them have recently been made members of the Institute: M. Villey, professor at Caen, author of several works, and M. Beauregard, professor in the Law Faculty at Paris, at present member of the Chamber of Deputies, and editor of a journal of political economy *Le Monde Économique*, which is almost a facsimile of M. Paul Leroy-Beaulieu's *L'Économiste Français*. Other, less pronounced, adherents of the Liberal school are M. Souchon, professor of rural economy in the Law Faculty of Paris University, author of well-written and well-substantiated books, one on *La Propriété paysanne* (1899), another on *Les Cartels agricoles en Allemagne* (1903), and also some other younger professors, who have as yet only contributed to periodicals. These professors are members of the Société d'Économie named above, and took part last December in a discussion on the best method of teaching political economy.

But the majority of the economists included in Faculties of Law must be considered as "interventionists," to about the same degree as the German professors who used to be called socialists of the chair, and who now go by the name of the Realist school. They have taken an active share, during recent years, in elaborating labour legislation, especially through the Association for the Legal Protection of Labour, founded at Paris in 1900, and now made international in its scope. M. Cauwès is president of the French section.² His general secretary is M. Jay, professor of industrial legislation in the Faculty of Law at the University of Paris, and author of several pamphlets on the organisation of labour, as well as of a book entitled *La Protection légale des Travailleurs*. M. Jay is a thorough State-Socialist, and goes so far as to wish to see a minimum wage fixed by law. M. Pic, professor in the Faculty of Law at Lyons,

¹ This propaganda of foreign methods of economics, too little known as it is in France, has been augmented by the publication of translations of the best works in the *Bibliothèque Internationale d'Économie Politique*, published by MM. Giard et Brière. Professor Marshall's treatise of political economy has just been translated for it by Sauvage Jourdan, professor at Bordeaux.

² He has just been succeeded by M. Millerand.

author of a bulky treatise on industrial legislation (2nd ed. 1903), is a rather less pronounced Radical.

The evolution of industry and its influence on the condition of the workers forms the object of some learned studies, among which we should mention that of M. Aftalion, professor of law at Lille, *Sur la Fabrique et le Travail à domicile dans l'habillement* (1906).

The most noteworthy book which has been produced by the economists' teaching in Faculties of Law during the present decade, the book which perhaps best gives the characteristic features of that teaching and the true average opinion held in the universities, is that set forth by M. Bourguin, professor in the Faculty of Law at the University of Paris, *Les Systèmes Socialistes et l'Évolution Économique* (1st ed. 1904, 2nd ed. 1905), a book written in excellent if somewhat severer style than is usually found in French works. In the first part the author summarises the different solutions of the social problem which have been propounded. In the second part he inquires, through an examination of facts and figures, how far economic evolution seems to confirm or contradict these solutions. The conclusions he arrives at are not Socialistic, inasmuch as he believes in the permanence of individual property and of the wage system. They are not even in favour of State-action, for he denounces the vices of State Socialism, and even declares "it can render the most police-ridden country uninhabitable to political non-conformists." But they are, for all that, quite democratic, and at the same time very scientific.

Social and labour questions have proved so absorbing to the French professors that they have rather neglected the other branches of political economy, especially pure economics. It is a little humiliating to think that in the country of Cournot he has as yet no successors, or, worse still, that his sole successor, Walras, should have had no chair provided for him and have been compelled to become an exile and go to teach, from 1870 to 1900, his fine mathematical theorems of economic equilibrium at Lausanne, the result being that many are ignorant of his true nationality, and credit Switzerland with the honour of his name and his doctrines. M. Walras, who lives now in philosophic seclusion on the shores of the Lake of Geneva, at Clarens, has always ascribed his expatriation and the banishment of his doctrines to the intolerance of the Institute. When he saw with pleasure economic teaching in France made part of the Faculties of Law, he hoped that they would prove a favour-

able soil for the study of pure economics. This hope has thus far not been realised. It is easy to understand why. As I have said already, the economists of the Law Faculties were more or less imbued with a legal spirit, and more attracted by practical and actual questions than by abstract speculations on marginal utility or the curves in supply and demand. In these they thought with suspicion that they could smell a revival of classical and Manchester doctrines. Besides, not one of them had ever learned mathematics.

It should also be remembered that the instruction given by the professors in the Faculties of Law has perforce to be adapted to the subjects prescribed for examination. Now there is no provision made in these for tests in mathematical economics, or even in pure economics, there being no practical object to be gained in these studies by the budding lawyers and statesmen whom the Law schools are concerned to train.

Nevertheless, the situation is not quite hopeless. There may not yet be courses of pure economics in our universities, but there is, in every Faculty of Law, a course on the history of economic doctrines, and that is the gate by which the theories of the Austrian school are beginning, if slowly, to make their entry. In this teaching the history of the French mathematical school of economics will necessarily have a place, and then neither Cournot, nor Dupuit, nor Walras will be forgotten. Even now it is evident that the courses of historical doctrines are among those most eagerly taken up by the younger professors, and most keenly relished by students.¹ And the latter select the subject for their doctor's theses mainly from this historical field. The French have ever been captivated by doctrines. This branch of instruction has not yet borne its full fruits, but there is already a goodly crop of monographs on earlier economists, the last that on *Robert Owen* (1907), by M. Dolléans, recently elected professor in the Faculty of Law at Lille, who is now preparing a history of Chartism.

Possibly, too, the study of pure economics may find its way in by other gates than the Faculty of Law; for instance, by the Faculty of Science, if ever this be made to include a chair of mathematical economics, or, it may be, by some special school. Thus M. Landry, professor in the "annexe" to the Sorbonne

¹ We have already some books on the general history of doctrines, viz., by M. Rambaud, professor at the Catholic University of Lyon, by M. Espinas, professor at the Sorbonne, and by M. Dubois, professor in the Faculty of Law at Poitiers, of which one volume only has been published.

entitled the *École des Hautes-Études*, has already started on this way by his book on *L'Intérêt du Capital* (1904), which is occupied with the discussion of Böhm-Bawerk's theory.

The absence of works on pure economics is not the only deplorable gap in our economic literature. The study of facts and of institutions is not represented in anything like the extent which its importance demands, and falls far behind the corresponding literature in Germany, and even in England. A young lady student, who has recently come from Scotland to study some points in the economic history of France, has been telling me of her disappointment at what she found. And yet it is not that France lacks eminent historians. But it is partly due to an incredible mistake made in drawing up the programme for law examinations. Economic history has been forgotten, the result being that there is no chair, even in Paris, specially devoted to that subject! Hence our professors never have to teach it, and works published on this subject must be sought for outside the Faculties of Law.¹ We may, nevertheless, place on the active list of those Faculties the books of M. Germain Martin, professor at Dijon, on *La Grande Industrie sous Louis XIV et sous Louis XV* and on *Les associations ouvrières du XVIII^e siècle* (1901), as well as that by M. Bry, professor at Aix, *Histoire industrielle et économique de l'Angleterre*.²

Questions of international trade, money, and banking, once so much debated, are now somewhat laid on the shelf in our universities. They are taught, of course, but they do not evoke many books. They are to be found rather among the works put forth by students of the Law Faculties and candidates for professorships. We may mention *Le Fédéralisme économique* (1901), by M. Paul Boncour, now chief secretary (*chef du cabinet*) under M. Viviani, the Socialist Labour Minister, a book in praise of trade unions and even suggesting their being vested with semi-legislative powers; also *La Concentration des Banques en Allemagne*, by M. Depitre (1906), *La Question monétaire contemporaine*, by a group of jurists (1905); *La Théorie de la Monnaie*, by M. Aupetit (1902), &c.

¹ Beside Levasseur's masterly work on *L'Histoire des classes ouvrières* and that by M. Noël on *L'Histoire du Commerce*, which I have already quoted, I ought to mention the series of studies in the history of prices by M. le Vicomte d'Avenel, which have been appearing during the last twelve years, especially *La Fortune privée à travers sept siècles* and *Paysans et ouvriers depuis sept cents ans*; that by M. Hauser, professor at Dijon University, *Ouvriers du temps passé*, and that by M. Lichtenberger, *Le Socialisme et la Révolution Française*.

² A young author, M. Mantoux, has recently written an excellent book on the same subject, *La Révolution industrielle en Angleterre au XVIII^e siècle*.

In spite of this list, which could easily have been extended, the conclusion will no doubt be drawn that the scientific output in the French universities, within the field of economics, is inferior to that of the German universities. And yet the French professors have more time at their disposal for writing; they are only required to give eighty lectures annually (forty or forty-five only in the case of the professors who prepare for the *doctorat*), while their colleagues over the Rhine give twice or thrice as many.

There are several reasons for this deficit in production. One there is I should like at the outset to eliminate, believing as I do that it is incorrect, and inasmuch as it has nevertheless been put forward in the *ECONOMIC JOURNAL* by Professor Cohn,¹ and, previously, by Professor Pareto in his writings. They say that the independence of French university professors over against public authority leaves much to be desired. Nevertheless, I know of no teaching professor who has ever been dismissed for the opinions he has taught. For that matter the Government could not do it without the professor's defence having been heard before the Higher Council of Public Instruction; and this would lead to a scene to which no minister would care to expose himself. At Paris there are professors who are openly Socialists; there are some who, in spite of the Franco-Russian alliance, have taken part in meetings against the Tsar of Russia whenever the news came of a fresh massacre in that country. In the Faculty of Law there is an ultra-Catholic professor teaching the higher validity of the religious marriage ceremony as compared with the civil procedure, and who has written and spoken against the Act of separation of Church and State. When his attitude was reported to the Chamber of Deputies, a ministerial letter of rebuke was addressed to him. This intervention of Government was no doubt to be regretted; still, it was not an action of a nature to compromise indepen-

¹In the article "Political Economy in Germany" (Dec. 1905, p. 607), Professor Cohn says:—"There is a whole world of difference between the independence of a German Professor and the Dean of the Faculty of Law at Bordeaux, for instance, who was deposed by a stroke of the pen, because he had spoken in favour of Dreyfus." The suspension of M. Stappfer (he was Dean of the Faculty of Arts, not of Laws, but that doesn't matter) was certainly a very deplorable action, which can only be explained by the crazy state into which France, and indeed the whole world, had got over that famous affair. Nevertheless it was as *Dean* that M. Stappfer collided with the authorities, and *not in his professorial functions, which were left untouched*. He carried on the duties of his chair as before. It was only from the functions of a Dean which do not come under a scientific category, but are purely administrative, that he was suspended.

dence of his function. Far more precarious is the position of the professor at some American universities, where the chair has been founded by the liberality of some millionaire not prepared to see his dollars used to foster subversive doctrines! Troubles in this way have not infrequently arisen.

While, however, French professors enjoy a sufficiency of independence over against the Government, they have not unfortunately an equal degree of independence in their educational curricula. At the end of each session, namely, there is an examination, the subjects of which are fixed by rules of administration. Even where the curriculum allows great freedom to the professor—as is the case with examinations in political economy, especially in final examinations—the professor shapes his course no less according to examination requirements. And that professor has the largest classes and the most success who trains his pupils to do best in their respective examinations. These are, for a course of instruction termed “higher,” very deplorable conditions; for a course can only rightly be so called which is based on freedom for the teacher and disinterestedness in the students. Now there is hardly any course in a French university, at least in a Faculty of Law, possessing this double character: that is to say, which binds no obligation on the professor and no sanction on the listener.¹ Here, then, in our opinion, is one of the reasons for the superiority of German universities and for the admirable variety in their instruction. That is a blossom which opens in the luxury of liberty, whereas each of the French courses has to climb and hook on to a stick fixed in the ground like a kidney-bean pole.

There’s another inferiority—the method of appointment. In France no one can teach in the university, with rare exceptions,² unless he has passed through the narrow gate of a *concours d’agrégation*, or fellowship examination, which takes place every two or three years. The administration takes care to hold open for competition only so many appointments as are indispensable for the needs of instruction—that is, only such as fall vacant through the death or resignation of any of the actual staff, or are rendered necessary through the instituting of new courses.

¹ In the Faculty of Law at the University of Paris, out of 40 courses of lectures, there are only *two* which are free, that is to say, outside the examination curricula: those of “statistics” and of “comparative social economy.”

² Anyone, even if he have not graduated in law, may be authorized to conduct a “free” course in any Faculty, but permission is rarely sought. And such courses are very thinly attended, simply because, as stated above, the motive of the examination is lacking.

There are sometimes thirty candidates for three places. Hence there is a very severe process of selection. But the victors in this struggle for life are not necessarily those who are the most gifted from the scientific point of view, or the deepest or most sagacious thinkers. They are oftener the more brilliant intellects or the best speakers. Nearly all the tests, or at least the decisive tests, are exclusively *viva voce*; written work, assuming that the young candidates have already written anything, go for nothing in the decision.

To take an instance :—a young man who had been fascinated by mathematical economics and had written a remarkable thesis on the theory of money (it has been referred to above), expounding and applying the theories of Walras and Jevons, has recently twice failed to pass in the *concours d'agrégation*. Disappointed, he has turned his energies into another channel. So that, it may be, our schools of economics have lost the opportunity of filling up a gap which we have just now been deploring. M. Walras was deeply grieved at the result. In Germany things would have gone very differently. That young amateur in pure economics would have started a course of teaching as a “privat docent,” and if he had been successful, either in attracting students to his lectures, or in his published writings, he would have been promoted to the rank of extraordinary professor, and then become ordinary professor. I am well aware that this method of university appointments is not without drawbacks of its own, but, from the point of view of scientific production, it seems to me far more stimulating.

III

Beside those two centres of scientific activity, the Institute on the one hand, the Faculties of Law on the other, there are several others, whose influence is limited to narrower circles.

There is, first, Socialism, or rather Collectivism, for that is, at the present day, almost the sole form of Socialism, the old French Socialist schools having now no followers, and anarchism having barely more than one representative (I speak of literary production), namely, M. Jean Grave.¹ Socialism is far from playing in French literature the part it plays in politics and the social movement. Nevertheless, its scientific output during recent years has made great progress. The Socialist leaders in

¹ *La Société mourante et l'Anarchie* (1897).

the Chamber (MM. Jules Guesde and Jaurès) have put all their energy into the fight, but, in the matter of books,¹ have confined themselves to publishing some of their lectures and newspaper articles in book form. There are, however, two interesting reviews: *La Revue Socialiste*, founded by Benoit Malon (he was more a Socialist of the older French school), now edited by M. Fournière, a so to speak individualistic Socialist, and *Le Mouvement Socialiste*, edited by M. Lagardelle, the standpoint of which is entirely Marxist. It vigorously defends Marxism against the Neo-Marxists, but chiefly represents "le socialisme syndicaliste,"² that is to say, Socialism which seeks support in labour only, rejecting political action, State intervention, and even the co-operation of "intellectuals." Its chief contributor is M. Georges Sorel, the most prolific and most personal penman of active Socialism in France. No one has displayed a more ferocious vigour against any and everything bourgeois—although M. Sorel is himself a bourgeois, and even decorated with the Legion of Honour—and yet more especially against every religious or even merely moralising tendency. His acrid irony has spared none of his contemporaries, even among the Socialist ranks. From his writings, which are very diffuse and entirely critical, it is very difficult to draw up any sort of programme: the principal is his *Introduction à l'Économie moderne* (2nd edit. 1907). But they all contain some strong, original, spicy thinking on all the questions of the day, especially on economic evolution, on the function of revolutions and strikes, on the future of trade unions, on the use of violence as a factor in social progress, on truth and error in the doctrines of Karl Marx, and what not besides.

Among Collectivists who are not of the Marx school we must also mention M. George Renard, author of a book, *Le Régime Socialiste* (1898), which is probably the best descriptive exposition of a possible future society under a Collectivist régime. It is practically the same as Schäffle's famous little book, but written with greater detail.

As yet Collectivist Socialism has not penetrated into the

¹ By M. Jaurès:—*L'Action Socialiste*, 1899 (3rd edition); *Études Socialistes* (1901). He has also published, in collaboration with some other Socialists, an *Histoire Socialiste de la France depuis 1789*, nine volumes of which have already appeared.

² "Trade-unionist Socialism" would not accurately represent this term. It does not mean a moderate Socialism, but is on the contrary essentially revolutionary, inasmuch as it rejects parliamentary action, and counts on class conflict and universal strikes.

Faculties of Law. There are, nevertheless, some among the younger professors who go beyond State Socialism, and incline towards what is called juridical Socialism—that is to say, towards a new conception of law in general, of property, of inheritance, and of contract—a conception which, so far from being conservative, is destructive, rather, of all these institutions. For instance, it believes it possible to expropriate legally without indemnification. Abroad the recently deceased professor, Anton Menger, was an eminent upholder of this view; but it is gaining ground in France in the Faculties of Law, and more among professors of jurisprudence than among those who teach economics.¹ Collectivism has entered the university by another door, by that, namely, of the École Normale Supérieure, through which pass nearly all those youths who later on become professors of art or science. It appears that the professor of German language in this school, M. Andler, and the librarian, M. Herr, have been strongly drawn to German Socialism, to that of Bernstein rather than to that of Marx. And they have exercised a great influence on successive generations of students frequenting their lectures, and now, in their turn, teaching in lycées or in universities. M. Andler is a scholar deeply imbued with the scientific spirit, and in his principal work, *Les Origines du Socialisme d'État en Allemagne*, reveals the qualities and, to some extent, the defects, of the German methods he knows so well.

The school called "Solidariste" joins hands with Socialism in the fight with Individualism and competition, and aims at the abolition of the wage system. But it is not in favour of abolishing private property. It is content to declare, in virtue of the law of solidarity, that all private property is in a way mortgaged for the good of society, or rather for the disinherited members of society. Such is the central idea in M. Léon Bourgeois's book, *La Solidarité* (1894). And it is, more or less, the economic programme which the party called Radical is committed to when it comes into power. This programme has been discussed in two series of lectures by different professors at a private school called "Hautes Études Sociales." They have been collected in two volumes:—the first is theoretical, *Essai d'une Philosophie de la Solidarité* (1902); the second is more practical, *Applications Sociales de la Solidarité* (1907). Solidarity

¹ This young school has so far published no books, but it has spoken in several interesting pamphlets, viz., *L'Affirmation du droit collectif*, par M. Emmanuel Lévy (1903), and many review articles. See, on this subject, an article in the *Revue d'Économie politique*, 1906, "Le Socialisme juridique," by M. Hitier.

has also formed the subject of a report laid before the Institute, followed by a long discussion, in which it came in for some rough treatment.¹

France has also her Christian Socialism, or, rather, as the school itself prefers to say, her Social Christianity; but its influence is very limited, and its programme of a very moderate nature.

Within the Roman Catholic Church, "social Christianity" has as its organ the review, *L'Association Catholique*. It confines itself to demanding an economic and even political organisation, founded on professional association or trade unionism, but exacts from its unions sentiments of good will towards the employers, and moral, social, and religious virtues which, if exercised, would put them at the opposite poles to existing unions. Social Catholicism in no wise aims at the abolition of the wage system, and cherishes respect for property and inheritance. It only approximates to Socialism in its attacks on capitalism, on large limited liability companies, and at times even on interest, which it would like to see controlled, if not abolished.

Some ten years ago there was a group of young abbés, far more advanced than this, and disposed to go all the way with Socialism in their efforts to rally people around the Church. But the movement was a failure, being disallowed by Pope and bishops, and repudiated by the district of the Socialists themselves. Notwithstanding it has not long ago been resuscitated by a young Catholic layman, M. Marc Sangnier, of great piety and gifted with seductive eloquence. M. Sangnier goes from town to town to convert the people to a republican and democratic Christianity, with an economic programme which is ill-defined, but which involves the abolition of the wage system. The movement, which is making way among the more educated Catholic youth, has its own organ, the review named *Le Sillon* (the Furrow), and has brought out a number of tracts, but as yet no work of general exposition.

On the side of the Protestant denominations there is also a social movement which has given birth to an "Association pour l'étude des questions sociales." Its organ is a monthly review, *Le Christianisme Social*. In this movement there is an Extreme Left, composed of enthusiastic young pastors, inspired by the

¹ See the *Compte-rendu de l'Académie des Sciences Morales et Politiques*, 1906, and the little book of M. Bouglé, *Le Solidarisme*, 1907.

example of the American ex-pastor, Herron, who go so far as to be Collectivists and even Communists, while repudiating the materialistic character of Marxist Socialism. And it is not a little curious that among them should be a son of M. Frédéric Passy, the well-known orthodox economist, and M. de Biville, a professor in the Faculty of Law at the University of Caen.¹ They have as their organ a newspaper called the *Avant-Garde*. The majority, however, of the Association holds by the "solidarist" programme, which has been described above, and, for a solution of the social question, is satisfied with a generalisation of co-operative association, embracing the whole of the economic organisation as conceived by the Rochdale pioneers. This is not surprising when it is known that the Association has for president M. de Boyve, one of the leaders of the co-operative movement in France.

To complete this review of the movement in economic studies, the movement in works on the cognate science of Sociology should be taken into account. But this would involve further increase of bulk in a review which, if incomplete, is already heavily loaded. We must limit ourselves, therefore, in this field to a few brief references, recalling to the reader the most interesting, if now slightly antiquated, work by M. Espinas on *Les Sociétés animales*, and the well-known books on *La Division du Travail* (1892), by M. Durkheim, in which, the title notwithstanding, the economic aspect is kept in the background because the subject of the work is the Sociological division of labour, considered as the foundation of Sociology, and even of morality. Then there are the works of M. Tarde, recently deceased, *Les Lois de l'Imitation* (1890) and *La Psychologie Économique* (1903), as well as that by M. Bouglé on *La Démocratie devant la Science* (1905). There are also some periodicals, a *Revue Internationale de Sociologie* and the *Annales de l'Institut*, both edited by M. René Worms, and *L'Année Sociologique*, edited by M. Durkheim.

Let us add, in conclusion, that a great number of publications of an entirely documentary character, but only the more valuable for that, have been issued by the Office du Travail (depending formerly on the Ministry of Commerce, now on the Ministry of Labour). More than forty volumes on labour asso-

¹ A report of one of these discussions on Collectivism will be found in the volume of Transactions of the Association's latest Congress, held last year at Geneva, vol. 12 of Congress reports.

ciations, hygiene in workshops, statistics of wages and strikes, labour insurance, &c., have already been published.

We see then, that, in spite of some lacunæ, the economic literature of France is fairly abundant and very much alive. The deficiency does not lie in books or periodicals; nor does it lack in grip on public attention. It is precisely living "actuality," for that matter, that authors and public go after, much more than science. And since, at the present moment, labour questions and social reforms are topics of "actuality," everything else is more or less put in the second rank. On the one side we see a confused medley of agitating State-advocates (*Étatistes*), "solidarists," socialists, revolutionaries or religionists—all those who deem that, in an oft-repeated formula, "something must be done." On the other side there is the rally round "*l'Institut*" of those who would uphold against all attacks the sacred principles of individual enterprise, property, and free competition. Even the Universities, refuge of study from the noise and dust of public places, are moved by the tumult without.

After all, there is great excuse for these preoccupations in times so agitated and in an environment so full of strife as that of French society at the beginning of the twentieth century. When the house is on fire, action comes easier than contemplation. It must, nevertheless, not be forgotten that these are not the conditions most favourable to the blossoming of science. There are scientific theories which, like lovely crystals, can only take shape and develop in an environment of calm and sheltered from shocks. Where political economy is used as a weapon, whether to attack or to defend the existing order of things, where it is harnessed in the service of party, it necessarily loses the attributes essential in every science—those attributes which British economics possess in so eminent a degree, and which we can but contemplate with envy—serenity and unity.

CHARLES GIDE

THE INFLUENCE OF THE RATE OF INTEREST ON PRICES.¹

THE thesis which I humbly submit to criticism is this. If, other things remaining the same, the leading banks of the world were to lower their rate of interest, say 1 per cent. below its ordinary level, and keep it so for some years, then the prices of all commodities would rise and rise and rise without any limit whatever; on the contrary, if the leading banks were to *raise* their rate of interest, say 1 per cent. above its normal level, and keep it so for some years, then all prices would *fall* and fall and fall without any limit except Zero.

Now this proposition cannot be proved directly by experience, because the fact required in its hypothesis never happens.

The supposition was that the banks were to lower or raise their interest, *other things remaining the same*, but that, of course, the banks never do; why, indeed, should they? Other things remaining the same, the bank-rate is sure to remain the same too, or if, by any chance, *e.g.*, by mistake, it were altered, it would very soon come round to its proper level. My thesis is, therefore, only an abstract statement, and somebody, perhaps, will ask: what is the use of it then? But I venture to assert that it may be of very great use all the same. Everybody knows the statement of Newton that, if the attraction of the sun were suddenly to cease, then the planets would leave their orbits in the tangential direction; this, too, of course, is only an abstract proposition, because the solar attraction never ceases, but it is most useful nevertheless; indeed, it is the very corner-stone of celestial mechanics; and in the same way I believe that the thesis here propounded, if proved to be true, will turn out to be the corner-stone of the mechanics of prices, or rather one of its corner-stones, the influence of the supply of precious metals

¹ A paper read before the Economic Section of the British Association, 1906.

and of the demand for commodities from the gold-producing countries being the other.

Before going further, however, we must answer one more question. Our supposition might be not only unreal as to facts, but even logically impossible; and then, of course, its use would be *nil*. According to the general opinion among economists, the interest on money is regulated in the long run by the profit on capital, which in its turn is determined by the productivity and relative abundance of real capital, or, in the terms of modern political economy, by its *marginal productivity*. This remaining the same, as, indeed, by our supposition it is meant to do, would it be at all possible for the banks to keep the rate of interest either higher or lower than its normal level, prescribed by the simultaneous state of the average profit on capital?

This question deserves very careful consideration, and, in fact, its proper analysis will take us a long way towards solving the whole problem.

Interest on money and profit on capital are not the same thing, nor are they *immediately* connected with each other; if they were, they could not differ at all, or could only differ a certain amount at every time. There is no doubt *some* connecting link between them, but the proper nature and extent of this connection is not so very easy to define.

If we look only at credit transactions between individuals, without any interference of banks, the connection between interest and profit indeed seems obvious. If by investing your capital in some industrial enterprise you can get, after due allowance for risk, a profit of, say, 10 per cent., then, of course, you will not lend it at a much cheaper rate; and if the borrower has no recourse but to individuals in the same situation as you, he will not be able to get the money much cheaper than that.

But it is a very different thing with the modern forms of credit, which almost always imply the mediation of some bank or professional money-lender. The banks in their lending business are not only not limited by their own capital; they are not, at least not immediately, limited by any capital whatever; by concentrating in their hands almost all payments, they themselves create the money required, or, what is the same thing, they accelerate *ad libitum* the rapidity of the circulation of money. The sum borrowed to-day in order to buy commodities is placed by the seller of the goods on his account at the same bank or some other bank, and can be lent the very next day to some other person with the same effect. As the German author,

Enail Struck, justly says in his well-known sketch of the English money market: in our days demand and supply of money have become about the same thing, the demand to a large extent creating its own supply.

In a *pure* system of credit, where all payments were made by transference in the bank-books, the banks would be able to grant at any moment any amount of loans at any, however diminutive, rate of interest.

But then, what becomes of the connecting link between interest and profit? In my opinion there is no such link, except precisely *the effect on prices*, which would be caused by their difference.

When interest is low in proportion to the existing rate of profit, and if, as I take it, *the prices thereby rise*, then, of course, trade will require more sovereigns and bank-notes, and therefore the sums lent will *not* all come back to the bank, but part of them will remain in the boxes and purses of the public; in consequence, the bank reserves will melt away while the amount of their liabilities very likely has increased, which will force them to raise their rate of interest.

The reverse of all this, of course, will take place when the rate of interest has accidentally become too high in proportion to the average profit on capital. So far, you will easily remark, my proposition is quite in accordance with well-known facts of the money market. If it be not true, if, on the contrary, as Thomas Tooke asserted, and even Ricardo in his earlier writings seems to have believed, a low rate of interest, by cheapening, as they put it, one of the elements of production, would lower prices, and a high rate of interest raise them—a most specious argument, resting, however, on the unwarrantable assumption that the remuneration of the other factors of production could, under such circumstances, remain the same—then the policy of banks must be the very reverse of what it really is; they would lower their rates when prices were getting high and reserves becoming low, they would raise them in the opposite case.

A more direct proof of my thesis is required, however, and might be given in some such way as this. If as a merchant I have sold my goods to the amount of £100 against a bill or promissory note of three months, and I get it discounted at once by a bank or a bill broker, the rate of discount being 4 per cent. per annum, then in fact I have received a cash price for my goods amounting to £99. If, however, the bill is taken by the

bank at 3 per cent., then the cash price of my goods have *ipso facto* risen, if only a quarter of 1 per cent.; very likely not even that, because competition probably will force me to cede part of my extra profit to the buyer of the goods. In other cases, however, when long-term credit comes into play, the immediate rise of prices might be very much greater than that. If the rate of discount remains low, the interest on long loans is sure to go down too; building companies and railway companies will be able to raise money, say at 4 per cent. instead of 5 per cent., and therefore, other things being the same, they can offer, and by competition will be more or less compelled to offer for wages and materials, anything up to 25 per cent. *more* than before, 4 per cent. on £125 being the same as 5 per cent. on £100.

But, further—and this is the essential point to which I would call your special attention—the upward movement of prices, whether great or small in the first instance, *can never cease* so long as the rate of interest is kept lower than its normal rate, *i.e.*, the rate consistent with the then existing marginal productivity of real capital. When all commodities have risen in price, a *new level of prices* has formed itself which in its turn will serve as basis for all calculations for the future, and all contracts. Therefore, if the bank-rate now goes up to its normal height, the level of prices will not go down; it will simply remain where it is, there being no forces in action which could press it down; and, consequently, if the bank-rate *remains lower* than its normal height, a new impetus towards forcing up the prices will follow, and so on. The opposite of all this will take place when the rate of interest has become too high in proportion to average profit, and so in both cases a difference between the two rates remaining, the movement of prices can never cease, just as the electric current never ceases as long as the difference of tension between the poles remains.

The proposition that a low rate of interest will raise prices, a high rate of interest lower prices, is in some respects anything but new; it has been stated more than once, but a formidable objection was always triumphantly brought against it in the shape of statistical facts; indeed, if you consider the figures given, *e.g.*, by Sauerbeck in his well-known tables in the *Journal of the Statistical Society*, you will generally find that high prices do not correspond with a low rate of interest, and *vice versa*; it rather comes the opposite way, interest and prices very often rising and falling together. But this objection quite loses its importance; nay, more, it turns into a positive support of our

theory, as soon as we fix our eyes on the relativity of the conception of interest on money, its necessary connection with profit on capital. The rate of interest is never high or low in itself, but only in relation to the profit which people can make with the money in their hands, and this, of course, varies. In good times, when trade is brisk, the rate of profit is high, and, what is of great consequence, is generally expected to remain high; in periods of depression it is low, and expected to remain low. The rate of interest on money follows, no doubt, the same course, but not at once, not of itself; it is, as it were, dragged after the rate of profit by the movement of prices and the consequent changes in the state of bank reserve, caused by the difference between the two rates. In the meantime this difference acts on prices in just the same way as would be the case if, according to our original supposition, profit on capital were to remain constant, and interest on money were to rise or fall spontaneously. In one word, the interest on money is, in reality, very often low when it seems to be high, and high when it seems to be low. This I believe to be the proper answer to the objection stated above, as far as the influence of credit on prices is regarded; occasionally, of course, as in times of wild speculation or panics, the problem is complicated very much by the action of other factors, which need not here be taken into consideration.

Granted, then, our theory to be true in the main or in the abstract, what will be its practical consequences? to what extent would the leading money institutions be able to regulate prices?

A single bank, of course, has no such power whatever; indeed, it cannot put its rates, whether much higher or much lower than prescribed by the state of the market; if it did, it would in the former case lose all profitable business; in the latter case its speedy insolvency would be the inevitable consequence.

Not even all the banks of a single country united could do it in the long run; a too high or too low rate would influence its balance of trade, and thereby cause an influx or reflux of gold in the well-known way, so as to force the banks to apply their rates to the state of the universal money market.

But supposing, as, indeed, we have done, that all the leading banks of the commercial world were to follow the same course, then gold could have no reason to go to one place more than to another, and so the action exercised on prices would have its sway without any hindrance from the international movement of money. Still, even then it would, under the present circum-

stances, have its obvious limits. As I remarked at the outset, the influence of credit or the rate of interest is only one of the factors acting on prices; the other is the volume of metallic money itself, especially, in our times, the supply of gold, and so long as the gold itself remains the standard of value, this factor evidently will take the lead in the long run. ³Were the production of gold materially to diminish while the demand for money be unaltered, the banks no doubt, by lowering their rate of interest, might for a while profitably react against the otherwise inevitable pressure on prices, but only for a while, because, even if the rather unnecessary stiffness of present bank legislations could be slackened, the ever-growing demand for gold for industrial purposes would gradually reduce the bank stores, and could only be checked by raising the price of gold—that is, by lowering the average money prices.

The other extreme, which at present seems much more likely to occur: a plethora of gold supply, and the rise of prices thereby caused, could not be effectually met in any way, so long as free coinage of gold exists.¹

On the other hand, if this most essential step on the way to a rational monetary system should be taken, if the free coining of gold, like that of silver, should cease, and eventually the bank-note itself, or rather the unity in which the accounts of banks are kept, should become the standard of value, then, and not till then, the problem of keeping the value of money steady, the

¹ It is not easy to describe or imagine the exact manner in which an excess or deficiency in the ordinary gold supply affects prices, although its ultimate effect on them cannot well be doubted. As in our days the new gold generally finds its way as soon as possible to the banks, the common impression seems to be that it by so much increases the loanable funds of the banks, and therefore in the first instance causes the rate of interest to go down. This, no doubt, would be true if the new gold in its totality were deposited by its owners as *capital* for lending purposes, and in so far as this may be the case it indeed affords an illustration, and the only practical one, of the lowering of bank rates effecting a rise of prices. But mostly, I suppose, the gold comes to us not as lending capital, but as payment for the imports of the gold-producing countries, and if so its acting on the prices will be much more immediate and its effect on the rate of interest very slight. It is even possible that the rise of prices, caused by the increased demand for commodities from the gold countries, will *forerun* the arriving of the gold, the necessary medium of exchange being in the meantime supplied by an extension of the credit, so that the rate of interest perhaps will rise from the beginning. In any case the *ultimate* effect of an increased gold supply will be a *rise*, not a fall, in the rate of interest (and *vice versa* with a lacking supply of gold), because the large mining enterprises and the buying up of gold by the non-producing countries have actually destroyed large amounts of real capital and thereby given the rate of profit a tendency to rise. This all may be the explanation of some rather perplexing features in economic history, a rise of prices even when apparently caused by a surplus of gold supply very seldom being accompanied by a low rate of interest, but generally by a high one.

average level of money prices at a constant height, which evidently is to be regarded as the fundamental problem of monetary science, would be solvable theoretically and practically to any extent. And the means of solving it need not be sought in some more or less fantastic scheme like that of a central issuing bank for all the world, as it is sometimes proposed, but simply in a proper manipulation of general bank-rates, lowering them when prices are getting low, and raising them when prices are getting high.

Nor would this system be at all artificial, because the point about which the rate of interest would then oscillate, and to which it would constantly gravitate, would be precisely what I have called above its normal level, that one prescribed by the simultaneous state of the marginal productivity of real capital, the alterations of which we, of course, cannot control, but only have to comply with.

P.S.—When this paper was read at the British Association meeting it was objected by Mr. Palgrave that the banks could not possibly be charged with the regulation of prices, their liberty of action—if I understood him right—being, in his view, restricted by the necessity of protecting their own reserves as well from getting too low in consequence of an unfavourable balance of trade, as from running to an unprofitable height by an influx of gold. This, no doubt, is true, but it must not be forgotten that the international rate policy of banks has, as it were, *two degrees of freedom*, in so far as the international movement of gold can be checked or modified, not only by raising the rate of discount in the country from which the metal flows, but also by lowering it in the country, or countries, to which gold is flowing. In other words, the action of the banks against each other, which has for its object the proper distribution of money, or the levelling of the *niveau* of prices between different countries, might logically be concomitant with a *common* action for the purpose of keeping the universal value of money and level of prices at a constant height, which, however, under present circumstances only can be done within the limits prescribed by the general supply of gold.

On the other hand, it was remarked by Professor Edgeworth that if the free coinage of gold be suppressed, the Governments themselves have in their hand the regulating of general prices. This, too, is true, at any rate so long as the present large production of gold persists; and even if it should cease, and gold become scarce, the Governments, no doubt, might supplant the lack in currency by a judicious emission of paper-money. But a single Government has in this respect only the choice between two alternatives: it may try to keep the value of its money steady *towards the commodities*, but then it necessarily sacrifices the parity of its ex-

changes; or else it may manage to keep its exchanges strictly at par, but then it has of itself no power over the level of prices. Some international agreement, either regarding the amount of gold to be coined by each country or else involving a common rate-policy of the banks as described above, must needs come into play, shall both those purposes—the steadiness of the average value of money and the parity of exchanges—be fulfilled together; and it seems to me, although I may be mistaken, that for several reasons such agreements could be far more easily and effectually made by the banks, with the support, that is, of the Governments, than by the Governments themselves exclusive of the banks.

For a more detailed analysis of the practical side of the question and of the whole argument, I must refer to my book, *Geldzins und Güterpreise* (Jena: Gustav Fischer, 1898; being the further development of an article in Conrad's *Jahrbücher*, Bd. 13, 1897), as well as to my printed *University Lectures* (Bd. I:2, 1906, in Swedish).

KNUT WICKSELL

APPRECIATIONS OF MATHEMATICAL THEORIES.

SOME theories which have recently been published in the *ECONOMIC JOURNAL* are the object of the following reflections :—

I.—Beginning with Mr. Pigou's article in the *ECONOMIC JOURNAL* for 1903,¹ I remark that he has justly described the relations between the economic measure of utility and the philosophic doctrine of utilitarianism. The measure of utility proposed by Dupuit is applicable in its first intention and obvious interpretation to a great number of transactions.² But the cautions with which the second author of the method has qualified its statement³ are often required. His followers are not committed to Mill's doctrine, "that to think of an object as desirable (unless for the sake of its consequences), and to think of it as pleasant, are one and the same thing; and that to desire anything except in proportion as the idea of it is pleasant, is a physical and metaphysical impossibility."⁴ Like Browning, as elsewhere portrayed by Mr. Pigou, the philosophical economist may think of himself as "able, if he so chooses, to resist his own pleasure-seeking desires" . . . "not an inert mass chained, as Bentham believed, to the irresistible power of imagined pain and pleasure."⁵ It is not inconsistent with the use of the money-measure to indulge in a disinterested pursuit of the happiness of others, or even aim at some good distinct from the joy of sentient beings. Nor can the technical apparatus for the measurement of economic utility be employed for "the summation of total happiness."⁶

Agreeing with the general tenor of Mr. Pigou's remarks on these sublime topics, I still think that the economic measure of

¹ "Some Remarks on Utility," *ECONOMIC JOURNAL*, vol. xiii., p. 58.

² *Loc. cit.*, p. 68, last par.

³ Marshall, *Principles of Economics*, Bk. i. Ch. III. § 5, note.

⁴ *Utilitarianism*, p. 58.

⁵ *Browning as a Religious Teacher*, p. 103.

⁶ Pigou, *ECONOMIC JOURNAL*, *loc. cit.*, p. 68.

utility may have some tendency to establish the end proposed by utilitarianism, and considerable efficacy in supplying means thereto. Economics cannot indeed prove that to procure the greatest possible sum of satisfaction for all is the criterion of what is right for each. But the authority of an accredited science is lent to show that this object is not absurd¹ as some metaphysicians have suggested: T. H. Green, for example, when he says that "the aggregate of possible enjoyments" of which modern utilitarians tell us "simply represents the vain attempt to get a definite by the addition of indefinites. It has no more meaning than 'the greatest quantity of time' would have."² A scruple worthy of the Eleatic school is solved by walking in the way of the modern economist. To some it is not simply the addition of pleasures, but the addition of pleasures belonging to different persons, which forms a stumbling-block. The familiar and successful application of the conception collective total utility, *Gemeinnutzen*,³ is calculated, I think, to dispel this prejudice. Moreover, the technical apparatus may conceivably be employed as a means towards ascertaining the greatest possible sum of satisfactions in a utilitarian sense, in two large departments of economics which border on ethics and politics. A utilitarian end, the least possible sacrifice on the part of all concerned, may be accepted as the criterion of taxation.⁴ As the principle of arbitration between combinations there has been suggested the maximum total utility, not so much that of society as a whole, as that of the parties to the agreement.⁵

However we define the "satisfactions" which are measured by the method under consideration, the question may arise: With what unit are they measured? Professor Irving Fisher's unit, "the desire of an arbitrarily chosen individual A for B a small increment of a given commodity under given circumstances," is preferred by Mr. Pigou to a "just perceivable increment of pleasure." Perhaps it is better to say, with Professor A. Voigt,⁶ that no unit is required: quantities like utility are to be measured only by *ordinal* numbers. In confirmation of this conception Professor Voigt refers to the view, now

¹ *Cp.* ECONOMIC JOURNAL, 1895, p. 587.

² Introduction to the moral part of Hume's Treatise, § 7.

³ Auspitz and Lieben, *Theorie des Preises*, p. 23 *et passim*.

⁴ ECONOMIC JOURNAL, vol. vii., *Pure Theory of Taxation*, iii.

⁵ *Loc. cit.*, p. 552, and *Quarterly Journal of Economics*, 1904, vol. xviii., p. 216.

⁶ "Zahl und Mass in der Oekonomie," *Zeitschrift für die Gesamte Staatswissenschaft*, 1893, No. 3; referred to in the ECONOMIC JOURNAL, vol. iii., p. 202.

prévalent among mathematicians,¹ "which sees in ordinal number rather than in cardinal the primary conception of number."

In a first view of the measure under consideration utility may be considered as related to money in the way of a continuous function. Thus, if travel is the commodity enjoyed, and a lowering of fares (which may be supposed to be reckoned on the "zone" system) enables the consumer to procure more of this article, he may simply take new tours, in addition to those which he would take even at the higher fare. He may, however, be induced by the change of fares to rearrange his whole scheme of travel. The difficulties connected with such change of function appear to be minimised by the plan which Auspitz and Lieben have adopted for representing total utility.²

A more serious disturbance of the relations between Demand and Total Utility arises when the amount that any one person demands is affected by the amount which other persons demand.³

¹ Cp. Professor Love in the article on "Functions of Real Variables" in the *Encyclopedia Britannica*, ed. x. vol. 28.—"The capacity of numbers to answer questions of how many and how much—in other words, to express the results of operations of counting and measuring—may be regarded as a secondary property derived from the more fundamental one of expressing order.

"Natural numbers form a series with a definite order, and the expression 'greater than' and 'less than' mean 'more advanced' and 'less advanced' in this order."

² *Theorie des Preises*, pp. 9, 78, 87, 141, *et passim*.

³ The conception may be illustrated by the common supposition that at social gatherings which are cheered by alcoholic beverages the consumption of liquor per head is likely to be greater the more numerous the company. An opportunity of testing this belief is afforded by the varying size of the dinners at a certain Oxford College whose members are thought to be susceptible to the influences of good fellowship. The dinners on the Sundays during that part of the Terms which is described as "full" seem well suited for the purpose of verification, the number varying considerably—from seven to forty-two in the course of the period which I have observed—while the character of the entertainment is not otherwise materially altered. The amount of wine (of different kinds) drunk on each occasion and the cost thereof, has been recorded. I have utilised the records for four years, 1903-1906 inclusive, employing the following assumptions. I take the cost of the wine consumed as the measure of the quantity; and I take the variations in the quantity consumed per head as an index of variation in effective demand. The demand is, indeed, not measured as usual: for the total cost of the wine drunk on each occasion is divided equally among all who have taken part in the potation. Accordingly the final utility of the last dose which an individual consumes is not, as in ordinary cases, balanced by the cost of that dose; the set-off is only an $\frac{1}{n}$ th part of that cost, where n is the number of the company. I assume, however, that this peculiarity does not appreciably stimulate the consumption of wine at a College dinner, and that the amount of wine drunk at these social gatherings may be taken as an index of effective demand, just as well as if each individual, as happens at Club dinners, paid for what he individually consumed. I may add that if the circumstance which I neglect were really of account, the conclusion to which I am coming would be *a fortiori*. To test whether the size

Mr. Pigou, improving on Mr. Henry Cunynghame's speculations on this subject,¹ points out that a "consideration of the distribution of the commodity, as well as of the mere quantity of it," should be taken into account.² His elaborate formulæ far of the party has any influence upon the depth of the potations, I first find the average size of a party, and then I find the average cost per head, on the one hand, for parties that are below the average size, and on the other hand for parties that are above the average size; for each year, and for the whole period. The results are exhibited in the subjoined table. For example, in the year 1906 the records of 25 Sunday dinners were examined. The average attendance was 21 (the smallest attendance being 10, the largest 42). The average cost per head of the wine drunk at all the 25 dinners in 1906 was a sum which comes to 95·4 per cent. of the average cost per head of the wine drunk at all the 102 parties in the four years 1903-6. The average cost of the wine drunk at those dinners numbering 12 (or more exactly construed, $12\frac{1}{2}$), at which the number of diners was below the average for the year, was 97 per cent. of the aforesaid general average for the whole period. The average cost for the parties at which the numbers were above the average of the year was 93·8 per cent. (of the general average). I have thought it sufficient to give the costs as percentages. The statement of the actual figures is forbidden by a scruple such as that which deterred Gibbon from disclosing the amount of his income, lest he should excite the envy of some and the contempt of others.

	Number of parties.	Average size of party.	Cost per head per cent. of average cost for period 1903-6		
			Small parties.	Parties of all sizes.	Large parties.
1903	25	18·4	99·8	103·4	106·2
1904	26	17·8	97·6	99·8	101·7
1905	26	19·2	104·5	101·4	98·3
1906	21	21·0	97·0	95·4	93·8
1903-6	98	19·1	100·5	100	99·4

It appears from an inspection of this table that no constant or considerable excess of consumption is shown by the larger as compared with the smaller parties. When it is added that the "probable error" incident to the difference between the average consumption of large parties and that of small parties in any one year is about 3 per cent. (per cent. of the general average cost as before), it will be apparent that in this example the influence of the amount demanded by all on the average demand of each is inappreciable. ¹ ECONOMIC JOURNAL, vol. ii., p. 37.

² The new conceptions of collective in relation to individual demand are analogous to the departure in the theory of probabilities according to which the elements or components which generate the law of error are no longer regarded as perfectly independent (see *Journal of the Statistical Society*, 1906, vol. lxix.). When each element is correlated with the sum of all, we have a simple case like that conceived by Mr. Cunynghame (*Cp. ECONOMIC JOURNAL*, 1905, vol. xv., p. 64); the case in which each element is correlated with some only of the other elements resembles Mr. Pigou's more exact conception.

transcend the resources of statistics; but they subserve the useful purpose which Dupuit, referring to the impossibility of determining even the simpler law by statistical observation, has thus indicated: "quand on ne peut pas savoir les choses c'est déjà beaucoup que de savoir qu'on ne sait non."¹

The theory improved by Mr. Pigou has useful analogies with the extended theory of supply. The latter, indeed, does not, I think, equally require the consideration of distribution. But both theories profit by the method of representing the element of time which Mr. Pigou has exhibited in a subsequent article.² As I understand his construction, "the ordinary demand curve," at any time represented by a point on the axis of X , is in a plane passing through that point, parallel to the plane of YZ ; Y denoting the scale of consumption, and Z the price. The diagrams, which are presented at successive epochs, do not occur like the slides which an exhibitor inserts in a regular sequence into his lantern. What diagram at the time $x + \Delta x$ will succeed the diagram presented at the time $y + \Delta y$ will not depend simply on the time. To continue the metaphor, according as a certain index [the intersection of the supply- and demand-curves] is directed to one point or another in the diagram pertaining to the time x , the diagram at the time $x + \Delta x$ will take on different shapes.³ The curve which expresses the movement of the scale of production in time is like the path of a particle in a Galtonian error-machine, a path determined partly by a prearranged constitution of things, partly by accidents affecting each step. The pre-arrangement forms the portion of truth in Mr. Cunyngame's doctrine that "a group of successive curves is the expression of a state of facts existing at one time, and is not a group of successive time phenomena."

Referring to Mr. Pigou's article on "Monopoly and Consumers' Surplus," I select, among many points worthy of notice, his account of the pressure whereby the monopolist is able to exploit the "consumers' surplus" of his consumers. It may be suggested that the position of the monopolist is strengthened when the total amount which he controls is, or is supposed to be, limited.⁴ The consumers of mineral water controlled by a monopolist, as in Cournot's illustration, are likely to agree to his

¹ *Annales des Ponts et Chaussées*, 1844.

² *Monopoly and Consumers' Surplus*, *ECONOMIC JOURNAL*, vol. xiv., p. 388.

³ I have stated my meaning more fully in a criticism of Mr. Cunyngame's doctrines in the *ECONOMIC JOURNAL*, vol. xiv. p. 63 *et seq.*

⁴ The description given by Mr. and Mrs. Webb of the bargain between the individual workman and the capitalist employer, is very instructive, *Industrial Democracy*, Part III. Ch. II. p. 654, ed. 1902.

terms more quickly when it is known that he has only a fixed quantity of the commodity per day at his disposal.

I cannot dismiss this article without commending Mr. Pigou for having followed the highest authority on the subject in substituting "consumers' surplus" for "consumers' rent." I submit that it is better to limit the term "rent" to the income derived from things the supply of which is limited, and cannot quickly be increased,¹ or some neighbouring definition, rather than to extend the term, as suggested by Professor Clark,² to all kinds of differential gains. Rent, as defined above, is a species of surplus which differs from other kinds of surplus in important respects.³ These nice distinctions may be contemplated more clearly if different words are used for the species, rent, and that which is predicated thereof, the genus, surplus.

II.—An easy transition leads to Professor Flux's article in the *ECONOMIC JOURNAL* for 1905, of which a leading feature is the use of a line to represent the surplus constituting economic rent. Professor Flux's construction may be regarded as a variant of that which is employed by Messrs. Auspitz and Lieben.⁴ The use of the ordinate rather than an area seems to have, on the side of supply, the same sort of advantage which we have already attributed to it on the side of demand;⁵ it smooths over discontinuities of function.⁶ A similar construction is suitable to represent producers' surplus considered as depending on several variables. Thus if the outlay of borrowed capital is measured on the axis of X, the amount of land rented on the axis of Y, the surplus accruing to a particular farmer, or to farmers collectively, may be represented as the intercept between a certain plane corresponding to Professor Flux's line OE , and a certain surface corresponding to his curve OP .⁷ Of course, this is a very abstract conception, neglecting, *e.g.*, sales at particular times and in particular markets on terms which would not pay if adopted generally, and other incidents of a somewhat monopolistic character.⁸

¹ See Marshall, *Principles*, Bk. II. Ch. IV. § 7.

² See his article in the *Quarterly Journal of Economics*, 1891, and his book, *Distribution*. The claims of the wider definition are ably stated by Dr. J. Schumpeter in his paper on *Das Rentenprinzip* in the *Jahrbuch für Gesetzgebung*, 1907.

³ As shown by Professor Marshall's *Principles*, pp. 479, 626, *et passim*.

⁴ So far, at least, as Professor Flux uses the ordinates to represent money. Reference should also be made to J. D. Everett's *Geometrical Illustrations of the Theory of Rent* read before the British Association, and published in the *Journal of the Statistical Society*, 1899.

⁵ Above, p. 223.

⁶ Cf. Flux, *loc. cit.*, p. 282, referring to his Fig. IV.

⁷ Cf. *Quarterly Journal of Economics*, 1904, vol. xviii., p. 165.

⁸ Cf. *ECONOMIC JOURNAL*, vol. vii., p. 238.

But I must keep to the subject "improvements and rentability." Among the "controversies of a past age" to which Professor Flux recalls attention is the thesis that the "sudden and general introduction of agricultural improvements" would tend to lower rent.¹ I gather that Malthus took the opposite side from Ricardo and the Mills on this question, since he held that the tendency of rents to decrease might be "counter-balanced by extraordinary improvements in the modes of cultivation."² I do not understand that Professor Flux takes either side in this controversy. His construction may indeed be employed to show that neither the Ricardian thesis nor its contradictory is universally true. The mathematical weapon to which Professor Flux has imparted new refinement may be directed against the Ricardians with at least as much effect as Mr. Cannan has turned against them their own primitive instrument of arithmetical illustration.³

But I submit that the Ricardian thesis is not refuted by the proof that it is not universally true. For, interpreted generously, the theory purports to be only *probable*. The probability with which we have here to do is not merely the sort of credibility short of certitude which characterises empirical knowledge generally, but rather a species of presumption not founded on specific experience, which is peculiar to the Calculus of Probabilities. Such is the postulate that when an event must occur in one of two ways, and is not known to occur more frequently in one way than another,⁴ then the event may be considered as equally likely to occur in one way as in the other. With this may be connected the postulate that—in the absence of specific knowledge to the contrary—the coefficients with which we have to deal have not extreme values; in particular that the differential coefficients are not infinite; and accordingly the functions not discontinuous; and so forth. These probabilities might be conveniently called "*a priori*," from their use in the Calculus. I have elsewhere⁵ dwelt on this kind of probability

¹ J. S. Mill, *Political Economy*, Bk. IV. Ch. III. § 4.

² Quoted by Prof. Flux, *loc. cit.*, p. 277.

³ *Theories of Production and Distribution*, p. 322 *et seq.*

⁴ While, if there was a difference of frequency, it would have come to our knowledge—I should be disposed to add, in accordance with the view which I have expressed respecting "The Philosophy of Chance," *Mind*, 188.

⁵ Explicitly and in general in the article in *Mind*, which has been referred to, and in *Metretike* a pamphlet published in 1887 by the now defunct Temple Company; summarily, and with reference to Economics, in *Giornale degli Economisti*, 1897, vol. xv., p. 318; and in *ECONOMIC JOURNAL*, vol. vii., p. 562, note, and vol. ix., p. 307, last par., p. 312, first par., p. 313, note.

as required in the human sciences, and content myself now with an additional example. Investigating the incidence of our import duties Mr. Pigou properly begins an argument thus: "Presuming, as in the absence of knowledge is reasonable, that the elasticity of production is the same at home and abroad."¹ So Mr. Bickerdike, in a paper to which we are coming, properly presumes that the coefficients of elasticity with which he has to do have not extreme values.²

Now let us apply this principle to the problem in hand, one datum of which, it should be remembered, is that the total quantity of corn³ consumed before and after the improvement is the same. We suppose with Mill "population stationary, and a sudden improvement made in the arts of production";⁴ and we also follow Mill in treating it as a matter of general knowledge that of an article, "such as the habitual food of the people of England, wheaten meal," "there is probably as much consumed, at the present cost price, as there would be with the present population at a price considerably lower." With these presuppositions, and—to begin with—treating the amount of land used as constant, let us look first at the construction which Professor Marshall has made familiar, in which the degrees of the abscissa represent successive doses of outlay and the ordinates the corresponding increments of "corn."⁵ The total area of produce being constant, the consequence of an improvement is to shorten the abscissa representing the amount of capital which is laid out on the given land; and to lengthen the ordinates representing the returns to doses of capital—if not for every dose, every value of the abscissa, at least in general, and on the whole so that an equal area may stand on that smaller value of the abscissa which represents the capital outlay after the improvement. We must give up the pretension to formulate the variation in the law connecting the ordinate with the abscissa. We must neither affirm that the improvements always add an equal absolute amount to the produce of each of the successive doses of capital, nor yet that they always add an equal percentage.⁶ But we may argue, I think, that there is no reason for expecting the average slope of the new curve to be either larger or smaller than that of the old curve; that as to its

¹ *Protective and Preferential Import Duties*, p. 29.

² *Economic Journal*, vol. xvi., p. 532. *Cp.* vol. xvii., p. 100 *et seq.*

³ *Political Economy*, Bk. IV. Ch. III. § 4. par 1. *Ibid.* par 5, "if no greater produce is required."

⁴ *Ibid.* Bk. III. Ch. III. § 2, par. 2; Bk. III. Ch. II. § 4, par. 2.

⁵ Used in the general sense defined by Professor Marshall, *Principles of Economics*, Bk. V. Ch. VIII. § 3, par. 1, with reference to the classical theory of rent.

⁶ *Cp.* Cannan, *loc. cit.*

general trend the new curve will *probably* resemble the old one. It follows that corn rents will probably go down; and money rents very probably.

The argument is easily translated into the form proper to Professor Flux's construction. The argument is, I think, not affected by taking into account the circumstance that the amount of land rented by an *entrepreneur*-farmer is theoretically in general variable.¹

III.—I go on to the year 1906, which was fruitful in mathematical contributions. There is first the article² in which Professor Loria has honoured me by his criticism. Referring to an article of mine in the *Giornale degli Economisti* of 1897,³ some of which is embodied in the ECONOMIC JOURNAL of the same year,⁴ Professor Loria, as I understand, does not traverse the abstract reasoning which I have applied to the case of dual monopoly. Rather he appeals to what may be called scientific common sense when he intimates that the case is not worth treating, since it could not long exist: "the two monopolists, instead of carrying on an unprofitable war . . . will settle the value between them." Now if each of the monopolists were producing the same article, this consummation might perhaps, with propriety be assumed as the general rule. As Mill says, in a passage which is surely remarkable when the date at which it is written is taken into consideration, which is, perhaps, even truer now than it was then, "Where competitors are so few they always end by agreeing not to compete."⁵ But the two monopolists whom I am considering are not always producers of the same commodity. That case might be of no practical importance, and yet its analysis might be useful, for the sake of the analogous concrete cases in which the two monopolists control *correlated* articles, either "complementary" or "rival." These two cases are hardly comprised under Professor Loria's description of my theory: "it is assumed that the production of a given commodity is monopolised by two producers only."⁶ I gave as instances of complementary articles owned by different monopolists the ground and the water-power required by millers.⁷

¹ The relation between rent and the productivity of the marginal dose of land is elegantly exhibited by Mr. J. D. Everett in the paper which has been referred to.—*Journal of the Statistical Society*, 1899, p. 707.

² Marshall and Edgeworth on Value. ECONOMIC JOURNAL, vol. xvi. p. 365.

³ *Giornale degli Economisti*, ii. pp. 23-24 (misprinted "ECONOMIC JOURNAL," in the reference given in a note to Professor Loria's article).

⁴ Vol. vii. p. 237-8.

⁵ *Political Economy*, Bk. I. Ch. IX., § 3, par. 3.

⁶ ECONOMIC JOURNAL, vol. xvi. p. 366.

⁷ *Giornale*, loc. cit., p. 20 *et seq.*

The following comment on this case was given in the article of the same date in the *ECONOMIC JOURNAL* :—

“The theorem may have some bearing on a system which is regarded by some as the ideal of the economic future, that each industry should be consolidated into a trust or combination. Such a system would be characterised by instability, by fluctuations of prices such as now occur in railway wars, but more prolonged; for in so far as the combatants, like the two landlords in the example given, are not direct competitors, the combat seems less likely to be terminated by either the ruin of one party or the amalgamation of the two.”¹

I admitted that when the two monopolists supply rival commodities amalgamation is more apt to occur.

“But,” I added, and still submit, “even in this case the proposition that value is between certain limits—over a certain range of prices—indeterminate, may well be of theoretical importance.”²

The problem raised in Cournot's Chapter VII., as well as the problem of his Chapter IX.,³ may repay attention. If he was not right in his solution of either problem, he may have been right in thinking them both worth solving.⁴

As to the remainder of Professor Loria's article directed against Professor Marshall's theory of value it would be presumption on my part to speak on behalf of one so capable of defending himself as Professor Marshall. I am concerned to notice only one point in the position which Professor Loria attacks. It appears, from the context of the passage in the *Principles of Economics*⁵ to which Professor Loria adverts, that Professor Marshall is there dealing with market value in the sense in which it is contrasted with normal value. He adduces⁶ a mathematical construction adapted to his purpose; which I notice here only because I am about to adapt a similar construction to a somewhat different purpose, contemplating not market value but normal value. I shall not suppose two sets of dealers to meet and settle their bargains at one go-off, so to speak. On the contrary, I shall suppose them to meet again and again under like initial conditions continually renewed, and to resume

¹ *Economic Journal*, vol. vii. p. 237.

² *Loc. cit.*

³ This problem is discussed in the *Giornale degli Economisti*, 1897.

⁴ Some considerations supporting this judgment will be found in the article on “Paradoxes of Competition,” by Mr. Henry L. Moore, in the *Quarterly Journal for Economics*, Feb. 1906.

⁵ *Principles*, Bk. V. Ch. II. Note on Barter.⁵

⁶ In his Mathematical Appendix.

bargains until a system of contracts, not likely to be varied by recontract, has been set up. A conception of this sort¹ is required for the full discussion of the topic to which I proceed, Professor Chapman's remarks on the "Remuneration of Employers."²

F. Y. EDGEWORTH

¹ I have endeavoured in the article on *The Theory of Distribution* in the *Quarterly Journal of Economics*, 1904 vol. xviii., p. 187 *et seq.* to win conceptions appropriate to normal exchange value.

² *ECONOMIC JOURNAL*, vol. xvi. p. 523.

(*To be continued.*)

REVIEWS

Railway Problems. Selections and Documents in Economics.

Edited by WILLIAM Z. RIPLEY, Ph.D., Professor of Economics, Harvard University. (Boston : Ginn and Co., 1907. Pp. xxxii.—686. 10s. 6d.)

To an Englishman it is somewhat humiliating to review side by side an English product, such as Cunningham's "Railway Nationalisation," and the American work before us. The latter, it is true, is not a complete treatise, but only a volume of *colle-tanea*. But it contains papers, not only by leading economists like Professor Taussig and Professor Ripley himself, but also by prominent statesmen like Mr. Charles Francis Adams, a member of what may well be called one of the "great governing families" of the United States. And the papers exhibit throughout, not only a grasp of principle, such as one expects from professed economists, but also an accurate knowledge of railway matters in minute practical detail. And this not in reference to America only. There is, for instance, from the pen of Professor McLean, of the Leland Stanford University, a summary of the work of our English Railway Commission, which does admirably for us what we have so far failed to do for ourselves. And again, Professor Balthasar Meyer, of Wisconsin, who is not only a professor but a railway commissioner, contributes a very valuable sketch of the working of the Prussian national and local railway councils, to which is in large measure owing the comparative harmony that in Germany undoubtedly exists between the railways and the traders.

The volume unquestionably fulfils the two purposes which, according to the preface, inspired its compilation : "To render more easily accessible to the interested public valuable technical material upon a question of paramount importance at the present time, and to facilitate the work of the college instructor in the economics of transportation." But as it contains no less

than twenty-seven separate papers it is impossible to review them *seriatim*. It will be more profitable to direct attention to some of the more strictly economic essays. And one naturally turns first to Professor Taussig's "Contribution to the Theory of Railway Rates," originally published in 1891 in the *Quarterly Journal of Economics*, and here reprinted. Taussig's paper is an answer to Cohn's assertion that railway rates are like taxes, that they are and must be based, not on cost to the railway, but on the *Leistungsfähigkeit* of the customer. "The problem is therefore at bottom one of ethics, involving those considerations of public policy and right and wrong which recur in the discussions of proportional and progressive taxation." Taussig's answer may be summarised thus:—"Cohn makes no detailed application of this ethical point of view. . . . There is an obvious difficulty. . . . How are we to know that cheap goods—say, coal and ores—serve for the consumption of the poor?" The true theory is: "Not only the fixed capital of the railway, but a very large part, in fact, much the largest part, of the operating expenses represents outlay, not separate for each item of traffic, but common to the whole of it or to great groups of it. . . . The traffic is of very various sorts, subject to demand from different quarters with varying degrees of intensity. It is, therefore, in accord with what we might expect from the general theory [of joint cost] that the different sorts of traffic contribute in very different proportions towards paying the element in railway operations which represents joint cost. 'Traffic which will continue to come, even at comparatively high rates, will continue to be taxed high, and will contribute largely to fixed expenses. Traffic for which the demand is sensitive to price, and which can be got only at low rates, will contribute little.'" And then, after elaborating and applying by detailed illustrations these principles, Taussig concludes: "If the reasoning presented in the preceding pages is sound, obviously Cohn's conclusions are not tenable. If the true explanation of the apparent anomalies in the adjustment of railway rates is to be sought in the principle of joint cost, the ethical principle of *Leistungsfähigkeit* may be brushed aside, and the analogy to taxation disappears."

With all respect to Professor Taussig, he seems, to the present writer, to put his case too high. Granted, which nobody will dispute, that the cost of service is mainly joint. Then that portion of the cost of service which is not joint may be apportioned to the separate consignments on various principles. Call the special cost of any consignment x , and assume—which is

roughly true in ordinary practice—that the general, undistributed cost, including normal interest of capital, is three times as great. Then we may—and in a monopoly undertaking in a new country, say the Uganda Railway, probably could—fix the rate for that consignment at 4x. This would be a cost of service rate as near as could be ascertained. Or, again, a railway may charge each consignment the rate calculated to secure the maximum net revenue for itself. This would surely be basing charges on *Leistungsfähigkeit* in a commercial, though not in an ethical sense. Or, thirdly, a railway may do what the English railways did under compulsion of Mr. Gladstone's Cheap Trains Act, 1844, and deliberately adopt charges for third-class passengers, on a scale assumed to be less than normally profitable, because of their assumed poverty. Surely this is to base charges on the ethical principle of *Leistungsfähigkeit*. It may be said that this is a hypothetical case; and that in the instance given the railways reduced their charges not for ethical reasons but by statutory compulsion. But in one instance in comparatively recent years the English railway companies certainly acted on definitely ethical grounds. Workmen's tickets used only to be available to return after five o'clock in the afternoon. They have been made available any time after midday, though the change has let in at the low fare various classes of non-workmen, such as market salesmen. The reason for the concession was that it was represented to the companies that workmen who failed to get work tended to wait till five o'clock in the public-house. Again, the extraordinarily low and unremunerative rates charged by several companies for agricultural parcels may be fairly claimed as instances of rates largely due to altruistic motives.

Nor can we admit that there is no analogy to taxation. A Chancellor of the Exchequer must raise by taxation the revenue which he needs. But within wide limits he can exercise a discretion as to what he will tax and at what rate. Surely a railway company has a similar discretion. Not only can it vary its rates for different articles *inter se*, but it can, while preserving the ratio of different rates, maintain them unchanged or reduce them all round. It can, broadly speaking and within limits, at least in a progressive community, obtain the same revenue from a small traffic at high rates or from a larger traffic at lower rates. And from the arbitrary decision of the railway sovereign—using the word in Austin's sense—the railway consignor has no more appeal than from that of the Chancellor. All he can do is to convince by argument or agitation the tax- or

rate-imposing authority that the proportion of revenue exacted from him is inequitable. He can only avoid the tax or rate by, in the one case, ceasing to consume, say, tea; by, in the other case, ceasing to consign the over-charged article.

We hold, therefore, that a railway manager is really a taxing authority, and that, while revenue is his main concern, and, therefore, his rates must be such as not to check the volume of consumption, he ought to be and is influenced by social reasons, as in encouraging agriculture, or by ethical reasons, as when American railways encourage religion by carrying ministers at half price. At the same time, we think that custom is a more potent force in fixing, or at least maintaining, rates than any other. "Traffic which can only be got at low rates," says Taussig, "will contribute little" towards joint-cost expenses. And this was doubtless true without qualification in the early days of railways. It is only true nowadays in a limited sense. The original rates for, say, coal, no doubt did little more, in America at least, than pay actual haulage. But under modern conditions, with net loads of 2,000 to 3,000 tons per train, the coal traffic probably leaves a larger margin over what the Germans call the *Selbskosten* than any other class of traffic. The rates per ton-mile are low, the demand is sensitive to price, but the *Selbskosten* are so small that even a rate which the traffic can well bear is highly profitable to the railways.

Professor Ripley contributes to the book before us, not only an introduction, but a valuable essay on "Economic Wastes in Transportation." The former gives some curious instances of the way in which American freight rates can outweigh even the American customs tariff. In one case English cement to the interior paid, per 100lb., 8 cents duty and 10 cents railway rate and ocean freight; but the railway rate alone to the domestic producer was 20 cents. The latter essay discusses, with intimate knowledge of detail, the methods in which American railway competition leads to waste: (a) by the carriage of traffic by immensely circuitous routes, and (b) by the simultaneous carrying of identical articles, from Massachusetts, say, to compete in the markets of Illinois, and from Illinois to compete in the markets of Massachusetts. There is, he says, in America "a general acceptance, both in theory and practice, of the principle that distance is a relatively unimportant element in rate-making." And he thinks that there are no less than five separate evils resulting from "this American practice of unduly disregarding distance as a factor in railroad transportation. It inordinately

swells the volume of ton-mileage ; it dilutes the ton-mile revenue ; it produces rigidity of industrial conditions [by keeping alive factories which, from their disadvantageous location, had better be closed] ; it stimulates centralisation both of population and of industry ; and it is a tax upon American production." Professor Ripley suggests two remedies, agreements for the division of traffic under Government supervision and a strict enforcement of the law as to the long and short haul, the underlying idea of which is that a rate between any two points on a line from A to B shall at least not be higher than the rate between the points A and B themselves. On this we should like to offer two criticisms. Disregard of distance may have—no doubt has—gone too far in the United States. It is questionable whether, in any other country, it has gone far enough. To the layman sheer mileage rates seem to represent justice. Such an one would probably regard it as a paradox, if he were told, as is undoubtedly true, that *prima facie* we might expect that it would cost more to carry from Slough to Totnes than from Paddington to Plymouth. The strict enforcement, as in France, of the long and short haul principle results in this : that the rates between two great towns, say Paris and Lyons, are by so much higher than economically they should be, as the rates between the small intermediate places are lower than they should be. Further, agreements between companies, whether under Government supervision or not, can only result *pro tanto* in limiting competition, and we submit that in great commercial countries like England and the United States to limit railway competition artificially is not in the public interest.

We are no advocates of what a judge of the Supreme Court of the United States recently called the *bellum omnium contra omnes* ; we admit that theoretically a railway ought to be a monopoly ; we admit that competition implies waste, and a waste, moreover, that only rich and progressive countries can afford. But we claim, on the other hand, that railroading is a very new and undeveloped industry ; it has been improved out of all knowledge in the last twenty years ; and the improvements have practically all originated in the competitive countries. We believe that it could be shown by detailed comparisons that—to compare like with like, except in matter of competition—freighters in the newest portions of the United States, such as Texas or Washington and Oregon, with their rival railways fighting, often wastefully, for traffic, are vastly better off than freighters on the monopoly railways of Australia. We know no spur so sharp to

stimulate inventiveness, resource, energy, and economy in railway management as the sight of a rival's success. We believe that competition in the United States has only wasted a small portion of a vast fund of wealth that, but for competition, would never have come into existence at all. And we think that in that country at least—were it only to provide a training-ground for the future managers of monopolistic railways—competition may well be left unrestrained except so far as the competitors may learn by practical experience to restrain themselves.

We have dealt at such length with two of these papers that we must refrain, however unwillingly, from dealing with the rest. We may, however, add that, though there are several papers dealing with foreign countries, we have failed to find more than one inaccuracy; and this is, we may presume, due to looseness of expression rather than lack of knowledge. In the article on "Railway Regulation in France," it is stated (p. 652) that "the railways are encouraged to earn large profits," and a note adds that "M. Pelletan, in his report of May 12th, 1889, pointed out that French railway shares paid from 10 to 24 per cent. of their original cost; since then there have been some increases of dividends." It should be noted, however, that only about 10 per cent. of French railway capital is in shares; 90 per cent. is in bonds bearing a very low rate of interest; so that the overhead remuneration of French railway capital is under 4 per cent.

W. M. ACWORTH

Should our Railways be Nationalised? By W. CUNNINGHAM.
(4th enlarged edition.) (Dunfermline: Romanes. Pp. 295.
2s. 6d.)

Is it not almost time that some economist of position undertook a serious study of this question? The fact that the book before us has reached a fourth and enlarged edition is sufficient proof that the subject is not only of importance but also of general interest at the present time. Within the last twenty years three other books have been published on it in England.¹ No one of the three had any claim on the ground either of accuracy of statement or of force of argument to be treated seriously. And now we have a fourth, which deserves to occupy an even lower place in the category. And yet in default of anything better it

¹ Waring, *State Purchase of Railways*, 1887; Holc, *National Railways*, 1893; Clement Edwards, M.P., *Railway Nationalisation*, 1898.

is actually read and quoted as an authority; for instance, in the evidence given by an influential Irish M.P. before the Viceregal Commission on Irish Railways now sitting in Dublin. A few samples of Mr. Cunningham must suffice. The Kingdom of Prussia is, he tells us (p. 210), "contained within a radius of 134,466 square miles." "The railways"—he calls them "German," but he is evidently speaking of the Prussian-Hessian system—made in 1904 a 'net profit' of £31,000,000." This is the figure, not of profit, but of net receipts from working before paying interest on the capital of between four and five hundred millions. On page 29 he says that in England "the result of careful inquiries shows that the fare per passenger-mile is as near as possible one penny." I know of but one careful inquiry, that made by the North-Eastern Railway, and it shows that the fare per passenger-mile is as near as possible one half-penny. Again, on p. 11 he states, "It is not doubted that, of £1,200,000,000 invested capital in our railways, nearly £300,000,000 of it [*sic*] was paid to lawyers." So much for accuracy. Then for logic. On p. 27 the author says, "The average passenger fare [in Great Britain] is about 8½d., and at fifteen passengers to the ton gives 10s. 6d., against 7s. 0¾d. for goods—and passengers load and unload themselves." Again he devotes a dissertation to the subject of automatic couplings, and deduces from the fact that they have been adopted with success on the private railways of the United States—and nowhere else—an argument for the nationalisation of English railways. Is it not time that a serious subject, which will have to be faced in practical politics ere long, should be rescued from treatment of this kind?

W. M. ACWORTH

Economics of Railroad Construction. By W. L. WEBB, C.E.
(London: Chapman and Hall, 1906. Pp. 339.)

THERE are not many books on the subject of railway economics in the English language, and we gladly welcome this addition to the number. Despite sundry defects, this work is a real contribution to the literature on the subject. Not that there is much that is new in the book, for a large portion was included in Professor Webb's earlier work, "Railroad Construction." Moreover, in both books a heavy debt is due to the standard work of the late A. M. Wellington—"The Economic Theory of Railway Location,"

The task which Professor Webb set himself appears to have been three-fold. (i) To bring Wellington's work up to date, at the same time making good some omissions; (ii) to eliminate from that book engineering matter dealing with the composition of materials; (iii) to reduce the book to reasonable dimensions. The first and third portions of the task have been done best. Many of Wellington's estimates have proved untrustworthy, because they were founded on insufficient data, or circumstances have changed. These have all been subjected to a careful scrutiny, and many of them have been revised. At the same time, the book has been reduced to one-quarter the size of Wellington's, without anything material being sacrificed.

That the second portion of the task has been carried out successfully on the whole seems due to accident. Thus on p. 166 the following statement is made: "The methods of chemical treatment of ties will not be here discussed, as it may be found in numerous text-books." We pass over the false concord, and would only notice Professor Webb's non-appreciation of the limits of railway economics. The same feature is observable elsewhere, *e.g.*, pp. 175-6.

When Professor Webb quits the region of equations and statistics, he is rather given to making general statements, which, to say the least, are ill-considered. Thus on p. 158 he writes: "From the operating standpoint it costs just as much to haul a ton of coal as a ton of furniture." The merest tyro at railway work knows this is not so. Furniture is lighter than coal in proportion to bulk, and, consequently, the ratio of dead weight to paying load is greater for furniture. Again, on p. 85 some reasons are given for the rise of 50 per cent. which has occurred in the average cost per train mile in the United States since 1895. The reasons given all have weight, but it is difficult to understand why no reference is made to the growth in the average train load, which amounts to 78 per cent. in the same ten years. The effect of the increase in train load is similarly ignored in the discussion on engine men's wages, with the result that a conclusion is arrived at which may be true, but certainly is not proved by the figures and arguments brought forward.

The following very interesting conclusion is arrived at on p. 248: "The cases are very rare where the element of time as affected by reduction of distance can be given financial weight." This may be true in a country like America, in which distances are great, but we do not think it applies to a thickly populated country like England, in which the possible length of journey

is small. If it did, the policy of the Great Western Railway, for instance, during recent years should spell ruin for that company.

In spite of defects the book is a valuable contribution to railway economics, and, as it is thoroughly practical, it should appeal to railway men and students equally.

W. T. STEPHENSON

SMALL HOLDINGS.

1. *The Working of the Small Holdings Act. With Suggestions for its Amendment.* By L. JEBB. (London: Murray.)
2. *How Landlords can create Small Holdings. Some Examples.* By L. JEBB. (London: Murray.)
3. *Report of Departmental Committee on Small Holdings.* (Wyman and Sons, Fetter Lane, 1906.)

MISS JEBB begins with an inquiry into the working of the Small Holdings Act of 1892, which, it is generally admitted, has not borne all the fruit which its authors expected from it. Dealing with the evidence on which that Act was founded we come first to the vexed question of ownership *v.* tenancy. The local authorities are generally in favour of the former, the great majority of the peasantry are in favour of the latter. In fact, in making my own inquiries I only found one county, namely, Westmorland, in which the labourers preferred to purchase. The local authorities, whether county council or parish council, do not wish to be burdened with the cares and responsibilities of a landlord, or the chance of finding themselves left with empty farms upon their hands. The peasantry don't like to be tied down to any given spot: or to be unable to get rid of their land readily, except by selling it at a heavy loss after its value has been depreciated. They object, moreover, to the deposit required from a purchaser, as they want all their ready money for immediate purposes. We understand the objection of the local authorities, but we should say nevertheless that from a public point of view the hiring system was decidedly preferable, for it would avoid the risk of creating a class of hereditary squatters whose condition, where they still exist, should be a caution to enthusiasts. In almost every English village the worst cottages are those inhabited by the owners.

Miss Jebb gives in to the popular idea that sufficient land

cannot be acquired for small holdings without the extension of compulsory powers to the local authorities. It may perhaps be found necessary to confer such powers, but not upon the county or parish council. The committee very truly report that the central authority, *i.e.*, the Board of Agriculture, is the only body fit to be entrusted with such powers, or which would be "unlikely to use them in an arbitrary manner." The county council in the exercise of such authority would, it has been pointed out, often be waging war on their own friends, neighbours, and tenants. The parish council might be animated by personal feelings of a directly opposite character. For all reasons it is better that compulsion, if compulsion there must be, should be in the hands of a body above all local jealousies or partialities, a point which Miss Jebb does not seem to have considered.

As to the demand for and the supply of small holdings, it is difficult to get at the exact truth. The evidence given by Lord Carrington's own land agent, Mr. Jonas, before the Departmental Committee is extremely valuable. "The small holders are men who, having made the cultivation of allotments successful, have been given land enough to make a small holding. . . . Success is probable on a variety of soil, and under a variety of conditions where special care is taken to select the right kind of men to work the land in the manner best suited to it, and unless the man is known to be skilful in the cultivation of the land and the sale of its produce, a period of probation in the working of an allotment or otherwise is advisable as a test." This has long been obvious to those who have studied the subject. Twenty years ago we find in Mr. Kebbel's "Agricultural Labourer" exactly the same suggestion representing the allotment system as a training school for peasant farmers. Mr. Jonas goes on to say that "Small holdings, to be economically successful, must originate in a genuine demand for them by really suitable tenants" (Report, pp. 20, 21).

Has Miss Jebb made a point of inquiring whether there is any difficulty in finding land available for such men as these? Because it all turns on that—there is abundant evidence to show, had we space to produce it, the almost certain failure of small holdings farmed in neglect of these precautions. If we confine our attention to the class of applicants who are known to be competent men, and put out of consideration "the large number of manifestly unfit men" who give so much trouble to those engaged in the business of letting small holdings, shall we

not have reason to believe that the difficulty of procuring land for this purpose has been vastly exaggerated? When a pupil destined for the law once complained to Mark Pattison that the Bar was overstocked. "Yes," said Pattison, "but not with able men." It is the rejected applicants who would be ruined by compliance with their demands who go about talking of the "blank denial."

Small holdings are suitable only for two classes of men. The exceptionally industrious, skilful, and self-denying labourer who, by the exercise of those virtues which ensure success in most of the occupations of life, has saved capital enough by his own exertions to enter on a small farm with some prospect of success, and what is more, has shown himself possessed of those qualities which can alone enable him to make it answer. For these men small farms cannot be too freely provided. The other class who make them pay are those who combine with the occupation of land some other trade or calling. The village shopkeeper, butcher, publican, or blacksmith, the market-gardener, or the poultry breeder, will always be the better for a few acres of land, and will usually do full justice to them. Miss Jebb recognises this distinction: but it requires to be more strongly emphasised: it is only our appreciation of its importance which can enable us to combat the erroneous assertion that enough land cannot be got for small holdings without compulsion. Enough land can always be found for *fit* men: and the less that is found for unfit men the better.

Miss Jebb's pamphlet on "How Small Holdings can be Created" agrees in the main with the Report of the Commission. We are of opinion that it would be far better for the landholders of this country to take the whole business into their own hands. If on every estate of 5,000 acres two or three large farms were set aside as they became vacant for conversion into peasant holdings, the end might possibly be gained without either injury to existing tenants, or pecuniary loss to the landlords. Miss Jebb has evidence to show not only that higher rents can be obtained from the smaller tenants, but that these rents are punctually paid. Lord Harrowby's testimony (pp. 54-57), is of great practical interest. He shows, by his own personal experience, that it is possible for landowners to "create small holdings of ten acres or upwards on an economic basis with borrowed money because the higher rent to be obtained from small holdings will more than pay the interest on the loan." But here it is necessary to point out that, according to other witnesses, it is just this higher rent which

breaks the back of the small holder, and makes him a failure instead of a success. If the ordinary agricultural rent of the district represents the market value of the land, it is fair to ask how the small holder, by the terms of our argument a poor man, can afford to pay more. It is perfectly true that, for the sake of getting "a bit o' land," the labouring man very often will be ready to offer anything. But it cannot be right to encourage him unless there are reasons for doing so not inconsistent with economic principles. This is a problem which Miss Jebb has omitted to explain. The question, moreover, is complicated by the fact that many of Lord Harrowby's small holders do "combine their work on the land with other employment," the very class of men for whom small holdings are universally allowed to be suitable, and whose fitness for them requires no proof.

If the system of small holdings is to be adopted on the scale demanded by our advanced agrarian reformers it is quite clear that it cannot be restricted to exceptionally qualified men: it must be something of which the average agricultural peasant is able to avail himself. It is equally certain that he will never bring sufficient capital into the business to insure himself in the long run against inevitable losses: bad seasons, loss of stock, and other accidents, to which both tillage and pasturage are alike liable.

Miss Jebb and the Committee are agreed on one point, and that is that the best solution of the whole difficulty is to be found in the willing co-operation of the territorial classes, who possess that first of all requisites, a knowledge of the subject, and are able to distinguish between competent and incompetent applicants, a task by which municipal authorities are greatly perplexed. "There is no doubt," says Miss Jebb, "that if the landowning class were to make this a more special subject for their consideration, many of the evils which are sometimes feared from schemes promoted under legislative action would be averted." We are firmly convinced that whether an extended system of small holdings shall turn out to be a blessing or a curse entirely depends on the character of those who conduct it, and on the object for which it is promoted. If it is made a political question, an excuse for the gratification of class jealousies, farewell to all hopes of its success.

T. E. KEBBEL

Our Heritage in the Land. By H. E. MOORE. (London : P. S. King, 1906. Pp. 144.)

THE idea of work on the land in connection with the unemployed has been simmering in the air for a good many years. In 1895 Sir William Mather presented a scheme to a parliamentary committee which was considering the question of "Distress from want of employment," for the provision of work on the land, by means of State aid, to the unemployed. About the same time appeared Mr. Moore's book, *Back to the Land*, advocating the same policy.

The present work is a collaboration of these two writers; it contains Sir W. Mather's scheme as presented in 1895; subsequent experience, he says, has not caused him to see the necessity of altering it in any way. The rest of the book, compiled by Mr. Moore, is a sort of revival of *Back to the Land*.

There are two classes that have to be considered, viz. : the temporarily unemployed, without money or experience of work on the land; and those who, when displaced from other industries, wish to obtain a permanent living on the land.

Sir W. Mather proposes that the one class should be helped temporarily by means of "farm training colonies," and the other by permanent establishment on "small farm settlements." The farm training colonies are to consist partly of unreclaimed land, by work on which it has been proved that an able-bodied man can earn the cost of his maintenance. The satisfactory men, if they so desired, could be passed on to the permanent farm settlements; or the colonies themselves might be converted into settlements when the work of reclamation was finished.

When these ideas were first promulgated, both by Sir William Mather and Mr. Moore, there were few data at the author's command on which they could found their arguments. During the last ten years, however, various experiments have been tried of the nature recommended in this book, and it is possible, therefore, to come out of the realms of pure theory and study the results of such schemes when put into practice. It is regrettable that, this being the case, they have not been dealt with in a more exhaustive way. A very slight summary of the work on various labour colonies is given, whereas one would like to know more definitely the actual lines on which they had been run, and study the reasons for success or failure. All that one does gather is that there has been some very good reason for the failures which have occurred, either because of

the character of the men employed, or because of some unsuitable conditions in connection with the agricultural aspect. Given the proper conditions and an expert to run the colony, there seems no reason why the cost of maintaining an able-bodied man should exceed the value of his work. Actual figures are quoted, amongst others, from Hadleigh and Hollesley Bay to show that this fact has been conclusively established; it is partly on this basis that the suggestions are based which provide that the State should advance capital for the acquisition of the land. It is argued that the value accruing from the improvement of the land by hand cultivation will not only secure the State against loss, but will contribute towards the cost of buildings, &c.; in this way the cost of finding employment will not come upon the rates. This statement seems only to hold good in the case of reclamation work, however; it is therefore specified that one of the essential conditions of any farm chosen for a colony should be that it consists partly of very good land and partly of bad or unreclaimed land. The author admits that there would be a difficulty in finding these two conditions together to any great extent, but argues that there are many farms which have been allowed to "fall out of cultivation," and could be let or sold cheaply. There appears to be some misapprehension in the author's mind as to the real nature of land which has been allowed to go out of cultivation. He seems to include in this definition all land which was formerly arable and is now pasture. It is misleading to talk of the latter as "being allowed to run to grass." The formation of permanent pasture is a very costly process, and it is probable that a good half of the land has not "been allowed to run to grass," but has been very carefully laid down at great expense; far from being able to acquire it at a low figure, the purchase price or letting value is considerably higher than that of arable land.

The first criticism one has to offer, therefore, is that the preliminaries of this scheme are based on conditions which are not found to any great extent in England.

Assuming, however, that it is possible to found such colonies with State aid without cost to the ratepayers, one has still to inquire what will it lead to, in the case of those who wish to settle permanently on the land.

Mr. Moore devotes one chapter of the book to showing how a living can be made on six acres of land under a system of arable dairying. There is nothing in his statements that the agriculturist feels inclined to quarrel with, and there is no doubt

that many men would succeed as well as he demonstrates. On the other hand, one has to consider that a living is not often made by our present race of agriculturists on six acres by agricultural methods; and this being the case, will the townee, with his short training and experience, be likely to do it, allowing, of course, for the fact that due provision is made for co-operative methods of sale and purchase?

In this way, the book is disappointing; the reader feels that there is really nothing solid to go upon, however enlightening and interesting the suggestions thrown out may be. It is by no means proved that those displaced from the industries cannot be brought back to the country, but for the present there is more important work to be done.

Few people realise what a very large number of trained and efficient small holders exist in England at the present time, who are unable to get land, and who drift townwards for no other reason than this. In the light of this knowledge, these endeavours to deal with the problem from the other end, and teach the displaced townsmen how to cultivate the land, seem of less importance than those which aim at supplying land in the rural districts to the agricultural population.

L. JEBB

The Rating of Land Values. By J. D. CHORLTON, M.Sc.
(Manchester University Press, 1907.)

THIS book is distinguished by clear thinking and thoroughness, and is free from partiality and exaggeration. The author clearly sees that the "unearned increment" argument furnishes rather unsatisfactory justification for attempting to appropriate land values already in existence, and frequently in possession of people who have paid full value. He seems, however, to think that some good might result from such a re-arrangement of finances as was suggested by the minority of the Royal Commission. On p. 88 we read: "In an area in which land value is one-third of total rateable value a site-value rate of 2s. in the pound would reduce the general rate by 8d. or 9d. If, then, we could obtain from other sources sufficient money to reduce the general rates by 1s. in the pound, we could set off a total reduction of, say, 1s. 9d. as against the special site-value rate of 2s. The net result, therefore, would be an increase of 3d. in the rates on land and a decrease of 1s. 9d. in the rates on buildings. In that case—assuming that rates on land fall on

owners, and that the whole of the rates on buildings fall on occupiers—a small additional burden would be cast on landowners, while occupiers would obtain substantial relief. There can be little doubt, however, that landowners would obtain something by so large a reduction in the rates on buildings, and probably they would gain more than enough to compensate them for the small additional burden on land.”

The author recognises that if his reasoning is sound, the scheme would not result in appropriating any part of existing land values. It would not be the sort of thing which is popularly demanded.

Mr. Chorlton's argument is based on the classical theory that the incidence of an ordinary rate can be regarded as divided between owners and occupiers respectively in the ratio of site-value to building-value, with an additional indeterminate shifting from occupier to owner in consequence of diminished demand for buildings, and similar, of course, would be the incidence of a relief of rates. He refers (p. 21) to the opinions of economists as put forward in the Memorandum of the Royal Commission, and in regard to Professor Edgeworth's criticisms (*ECONOMIC JOURNAL*, Vol. X.), he says: “Professor Edgeworth is more guarded, but I do not understand that he dissents.”

We venture to suggest that a more careful reading of Professor Edgeworth's article would make it clear that he does dissent from the classical view, as understood by Mr. Chorlton. In the case of an ordinary rate the indeterminate shifting caused by diminution of demand for buildings, and therefore for land, is the only incidence on the owner, and the only advantage which owners can expect from relief of ordinary rates is such as may be caused by an increased demand for building-land, and is of quite uncertain amount. The case is exactly parallel to that of a tax on wheat or barley (*vide* also *ECONOMIC JOURNAL*, Vol. XII., pp. 478-9). We may well doubt whether a relief of general rates to the extent of 1s. 9d., or even 2s., accompanied by a general site-value rate of 2s., would leave landowners in as good a position as before.

The author despairs of getting the eight millions from the Exchequer which would be necessary to relieve general urban rates by a shilling in the pound, and suggests asking for only half, and having only a shilling tax on site-values. It will be surprising if even four millions is forthcoming.

The author views favourably the proposal to tax future increments of site-value, and estimates that a tax of 5s. in the

pound on increase of value would be bringing in three-quarters of a million for London in ten years' time.

This book does not refer to the idea not infrequently suggested by advocates of taxation of site-values, that ordinary beneficial rates ought, on merely business principles, to be levied on site-value. The discussion in the earlier chapters, however, disposes of the crudest fallacies.

Another defect is the rather too easy brushing over of the anomalies which would occur if the site-value taxation scheme were restricted, as the author seems to contemplate, to urban districts only.

The chapter on foreign and colonial experience summarises what information is available; hardly enough to be of very much assistance to us. The book must be pronounced a sober and useful contribution to the discussion, and it is to be hoped that legislators will read it.

C. F. BICKERDIKE

Municipal Control of Public Utilities. By O. L. POND. Columbia University Press. (London: P. S. King and Son. 1906. Pp. 115.)

THE sub-title of this work, "A Study of the attitude of our [United States] Courts towards the increase of the sphere of Municipal activity," correctly describes its scope, and it therefore contains little matter of economic interest. The Courts, it appears, "have not hesitated to voice the feeling that the trend of modern thought was favourable to municipal ownership and operations," and they may, in fact, not unjustly be described as partisans of municipal trade. It is, in these circumstances, somewhat unfortunate that the economic arguments involved appear not to be understood; nor does the author attempt to enlighten the judges. For example, municipal property is, generally speaking, exempt from local taxation, a state of things which is commended on the ground that such taxation would be an expense without any corresponding benefit, whilst the objections to it are not even hinted at. If municipal profit and loss accounts are to be taken as guides to the gains made by the cities in question, the accounts of municipal trades should obviously be debited with the taxes which would be paid by private companies managing similar works; and where the works are not assessed this can hardly be done. The profits made by a city in the United States by the municipalisation of an industry

within its borders may therefore be partly illusory. The distinction between onerous and beneficial taxation, moreover, does not appear to be appreciated. When a city municipalises an industry outside its borders, and when this industry is consequently freed from beneficial local taxation on the ground that it is a municipal property, the city buying the works does make an actual profit on the transaction at the expense of the citizens of a neighbouring locality, a profit which is by no means illusory. It is strange that the law which in most States thus rewards a city for establishing its municipal enterprises outside its own boundaries should be held to be so unquestionably sound. The arguments in favour of the granting of exclusive concessions to private proprietors operating municipal monopolies are also entirely ignored.

LEONARD DARWIN

The Socialist Library. III.—Studies in Socialism. By JEAN JAURÈS. Translated by MILDRED MINTURN. (London: Independent Labour Party, 1906. Pp. xviii. + 174.)

THE Socialist Library aims, *inter alia*, at doing "something to knit together the different sections of Socialist opinion and activity in this country," and to this end it would be difficult to find anything better adapted than are the studies by M. Jaurès included in the volume before us. These form, as the editor says, a treatise "in the nature of the forces that are making for Socialism, and their organisation by a Socialist political party." The opening essays deal briefly with the Socialist aim and its relation to the existing system of individualism, while the remainder of the book discusses with considerable fulness the problem of Socialist method under a *régime* of Parliamentary Government.

In its treatment of the existing situation, M. Jaurès' work leaves, it must be confessed, much to be desired. It is surely matter for surprise to find one so alive to the facts as our author shows himself to be when dealing with the question of method, still content to accept as satisfactory a classification of society which recognises only two great classes—the one the wage-earning, the proletariat, and the other the capitalist, the former of which can only live and exercise its faculties on condition that it pays a sort of tax to the latter. What is this proletariat? It appears from the sequel that it includes the wage-earning and salaried class. But in that case a more thorough diagnosis of the facts might perchance rob the antithesis between capitalist

and proletariat of something of its sharpness, and of its effectiveness for propagandist purposes.

In the essay on "The Radicals and Private Property," M. Jaurès makes effective use of the results of historical research, which conclusively show that the conception of private property has varied in the course of history. In Greece or Rome, the man who proclaimed himself, without qualification, a defender of private property would have been understood to approve of slavery, just as in mediæval times he would have been taken to be an upholder of serfdom. It is undoubtedly true that the history of economic progress has been marked by the restriction or abolition of property in man. But it may be equally pertinent here to note that, if in the course of progress the right of private property has lost something in extensiveness, it has gained something in depth. The development of the institution of private property and economic progress have gone hand in hand.

But to M. Jaurès the capitalist system is still the *fons et origo malorum*. It at the same time exploits the labour power of the workman and restricts his liberty. Justice, he holds, "has come to signify that in every man, in every individual, humanity ought to be fully respected and exalted to its complete stature." And this is only possible through the establishment of Socialism, which alone can give its true meaning to the Declaration of the Rights of Man, and in its turn presupposes the action of the proletariat. Marx and others who greeted the advent of the proletarian power as destined to transform the world "have, perhaps, over-simplified the problem and magnified the absorbing faculty of concentrated capital." But after making all allowances, it remains true, according to M. Jaurès, that the proletariat is increasing, while wholesale production has prepared it for wholesale ownership of property, "which, carried to its logical conclusion, means social ownership of property."

Socialism, M. Jaurès maintains, will realise itself not through "the depressing monotony of a centralised bureaucracy," but through the embodiment of the proletarian power in different forms: universal suffrage, trade unions, co-operative societies, and the various branches of the public service.

Thus we pass to the problem of Socialist method, the treatment of which gives the book its distinctive character. M. Jaurès has already a European reputation as the most prominent advocate in France of the method of reform as opposed to the Marxian method of revolution. With him Socialism, while

revolutionary in aim, is evolutionary in method. He would seek to direct the social movement towards the collectivist goal by selecting for development and encouragement such organs and tendencies in the existing system as make for Socialism. He would, in short, marshal us the way that we are going, hastening where necessary our lagging footsteps. On this subject his position is, in the main, in harmony with that of Liebknecht, to the elucidation of whose views four interesting essays are devoted. In this connection, advocates of confiscation will note M. Jaurès' approval of the "splendid words" in which Liebknecht declares it to be the duty of the State to indemnify those whose vested interests suffer during the transition to a Socialistic régime.

In the course of an elaborate discussion of the question: "How shall Socialism be realised?" M. Jaurès shows the mistaken nature of Marx's idea that Socialism would be introduced by means of a sudden and violent proletarian revolution. Both the historical and economic hypotheses from which this idea was derived are shown to be untenable. In particular, the whole Marxian doctrine of the pauperisation of labour is explicitly repudiated: "It must be conceded, after taking account of the tendency to sink and the tendency to rise, that, in the immediate reality of life, the tendency to sink is not the stronger."

To Marx, our author ascribes only the merit of having unified the labour movement and the Socialist idea, thereby ending what was empirical in the one and Utopian in the other.

Socialism, M. Jaurès holds, will be established by the action of the proletariat; not, however, by a sudden stroke of a bold minority, nor by the general strike as a method of revolutionary violence, but only by the methodical and legal action of the proletarian forces under democratic government, in the course of which, by organisation and propaganda, the great majority of the nation will be won over. All the different organs of the proletarian power will contribute to this end. Thus, as it is expressed in the closing essay, "we shall find that we have arrived at the end of Socialism without ever having come across Socialism on the way."

M. Jaurès' argument on Socialist method is naturally addressed more directly to his fellow Socialists. But to the student of economics it is of interest as showing how far the best Socialist thought of to-day has already left behind the old idea of the class struggle, as it is presented by Marx and his followers.

ARCH. B. CLARK

1. *The Conquest of Bread*. By P. KROPOTKIN. (London : Chapman and Hall, 1906. Pp. xvi., 299.)
2. *Socialism: A Summary and Interpretation of Socialist Principles*. By JOHN SPARGO. (Macmillan and Co., 1906. Pp. xvi., 257.)

THE argument of "The Conquest of Bread" is one that fairly takes away the breath of the reader. It requires, indeed, more than ordinary stamina to keep up—faint but pursuing—with its bold and rapid stride. Prince Kropotkin's idealism is irresistible, and criticism stands suspended before such buoyant and uncompromising optimism. He is, moreover, a protestant among protestants: there is nothing in the established order of things, or in any proposed amendment of it, against which he does not protest. He is a revolutionist *sans phrase*: he will make no terms with compromise: things must be ended, not mended. As for State Socialism or Collectivism, it would only make things worse. Salvation can only come about by a system of communism based upon an unqualified freedom of the individual. The "free commune" is the only medium in which the ideas of Socialism can be fulfilled. Prince Kropotkin's diagnosis of the situation does not differ in essentials from that of the ordinary Socialist—even if he presses it to its logical conclusion; but his remedy does not correspond to any form or fashion of Socialism that is to be found in "chair" or "street."

"No more of such vague formulas as 'The Right to Work,' or 'To each the whole result of his labour.' What we proclaim is 'THE RIGHT TO WELL-BEING: WELL-BEING FOR ALL!'"

Well-being for all is the end, expropriation the means; and expropriation can come about not by legislation, but only by a social revolution, the result of which will be that "every society which has abolished private property will be forced . . . to organise itself on the lines of communistic anarchy." Such a society will be forced by consequence "from the very outset to abandon all forms of wages. The principle of the new organisation will be to everyone according to his needs." Such is anarchist communism, communism without government—"the communism of the free." We are bidden to contemplate a condition of things in which

"Men at last attempt to free themselves from every form of government, and to satisfy their need for organisation by a free contract between individuals and groups pursuing the same end."

The author adds—and it is by no means his boldest statement—that

“the tendency of the human race is to reduce Government interference to zero; in fact, to abolish the State, the personification of injustice, oppression and monopoly.”

The most “striking fact” of our generation is said to be “the continual extension of the field of enterprise due to private initiative, and the prodigious development of free groups of every kind.”

The facts indeed are

“so numerous and so customary that they are the essence of the second half of the Nineteenth Century, even though political and Socialist writers ignore them, always preferring to talk to us about the functions of Government.”

It may be added that Prince Kropotkin's conception of the means—that is, of the expropriation that is needed—is nothing if not thorough: he will allow of no distinctions, *e.g.*, between different kinds of property: such distinctions only impede the true way to a revolution which “can and ought to assure shelter, food, and clothes to all.”

We are not able to enter upon the argument by which Prince Kropotkin is at pains to show that these and kindred ideas are the reverse of Utopian. When it is stated that he defines Political Economy as “the Study of the Needs of Humanity, and of the Economic Means to Satisfy Them,” it is clear not only that “Political Economy entirely changes its aspect,” but that the economist feels himself transported into a region that lies beyond “economics.” At the same time we may recognise that there is a method in this dream of a super-economic world. It may even be suggested that there is too much pure reason and common sense about the argument to make it easily fit in with a world which is not managed on any particular principle—certainly not on such a simple principle as anarchic communism seems to offer. Prince Kropotkin, at any rate, has no doubt that it is not he but the world that is mad. He is at least in good company in thinking so: and whatever either the plain or the sophisticated man may think of his ideas, they do, at any rate, represent a “moment” of truth which is apt to be forgotten, not only by the conventional apologists, but also by the conventional reformers of the system of industry as it exists, and such as it is. Such speculations have the effect which Hegel predicated of philosophy—the effect of making the reader

stand on his head, of inverting his ordinary estimate of things, of putting him into a novel and unusual attitude of mind. It is somewhat refreshing to be presented with a view of the world which admits of no compromise with the weakness or folly of human nature, and to be called upon to organise life in something like "a reasonably happy, healthy human way." Prince Kropotkin is not only a destroyer of the commonplace, of the conventions of the market-place, but he has the gift of investing what one is apt to dismiss as illusions with an almost startling sense of reality: and though the argument is designed to take away his occupation, even an economist may find in "The Conquest of Bread" things that will make him pause and think. He will also find in it solid ounces of interesting and curious statistics.

By comparison, Mr. Spargo's summary and interpretation of Socialist principles seems almost deliberately prosaic and unromantic. Mr. Spargo's book may be described in his own words as a "wholly unpretentious" attempt to state in popular language, "what Socialism really means and what it does not mean." It does not mean, for instance, communism—still less anarchist communism. It does not again mean Utopian, but scientific Socialism—that is, it is based on the conception of a "social evolution determined by economic conditions and the resulting conflicts of economic classes." In short, it is the gospel of Marx, pure and undefiled, that Mr. Spargo commends to his readers. The familiar theories associated with that position—the materialistic, or (in its more qualified form) the economic interpretation of history, the class struggle, the law of the concentration and socialisation of capital, the theory of surplus value—are successively explained and defended. Occasion is also taken to defend Marx from the charge of exploiting his English precursors. A sketch of "the Outlines of the Socialist State," with which the series of lectures or conversations concludes, not only confirms in every particular Prince Kropotkin's conception of the Socialist *régime*, but also (as some may think), his worst fears: though it is only right to add that Mr. Spargo shows certain signs of grace in so far as he formulates the ideal of Socialism as "a maximum of personal liberty with a minimum of restraint." Mr. Spargo's book, however, is not all prophecy or theory: the exposition is relieved with no small amount of biographical matter relating to Owen, Marx, and others; and an appendix contains a statement of "The National Platform of the Socialist Party of America," as adopted by the

Chicago Convention, May 8th, 1904. A painstaking and earnest little book, and certainly not lacking in sincerity or conviction—but of no special interest or importance to economic students, except, perhaps, as a frank and representative confession of Socialist faith.

SIDNEY BALL

Handbuch der Lohnungsmethoden. Von Dr. LUDWIG BERNHARD. (Leipzig: Duncker und Humblot, 1906. Pp. xliv. + 231. 7.60 marks.)

THE basis of this work is Mr. D. F. Schloss's well-known "Methods of Industrial Remuneration." The parts dealing with profit-sharing, co-operation, and productive societies are omitted, and numerous additions have been made in the text. It is, therefore, in part a translation and in part a working-up of Mr. Schloss's book. Mr. Schloss adds an interesting preface, in which he tells how he was brought to the writing of his work by his endeavours to find a remedy for the sweating system and by the dock-strike. Prof. Bernhard introduces the volume with a discussion of the applicability of mathematics to economics, and a classification of wage-systems on a theoretic basis. Time-wage, piece-work, piece-work with bonuses, time-wage with bonuses, participation systems, and modified participation systems are his chief classes—the last two including the various forms of premium-wage payment. Mr. A. Bernhard contributes, from his experiences as a manufacturer, some startling comparisons of piece-work and time-wage, showing that the saving of time under piece-work is from 25 to 33 per cent., and in repetition work 50 per cent. Geheimen Admiralitätsrat Th. Harms writes with practical knowledge on the different forms of the premium system, apparently concluding that the Rowan system is the most elastic and most capable of application to different branches of production. Lastly, Prof. Bernhard, in a chapter on the future of wage-methods, discusses and rejects profit-sharing and co-operative labour-groups as solutions of the wage problem, pinning his faith to piece-work as the basis of all higher forms. To praise Mr. Schloss's work is superfluous, and we only need add that the new contributions are worthy of careful study.

HENRY W. MACROSTY

Gewerbliches Einigungswesen in England und Schottland. Bericht der Studienkommission der Gesellschaft für Soziale Reform. Verfasst von DR. WALDEMAR ZIMMERMANN. (Jena : Gustav Fischer, 1906. Pp. 112. 75 pf.)

It will be remembered that in the spring of 1906 a deputation consisting of Dr. Brauns, director of the Volksverein für das katholische Deutschland, Dr. Zimmermann, of "Soziale Praxis," and eight officials of the Christian trade-unions of Germany, came to this country to study the methods of conciliation and arbitration in labour disputes. Dr. Zimmermann has now presented their report in an admirable *brochure*, in which he describes the growth of the conciliation movement in Britain, the activity of the existing boards and of the Labour Department, and, in considerable detail, the different forms of organisation prevalent in the coal, iron, steel, engineering, and cotton industries. Most of the information herein contained is, of course, quite familiar to British students, but even they will find an advantage in the perusal of these pages. The familiar facts assume another importance when viewed through strange eyes, the eyes of men who were experts in the labour conditions of Germany, and, therefore, carried with them a standard of comparison not commonly possessed by the student. This report is not mere book work; the institutions described were studied on the spot; the officials of the employers' associations and the trade unions were interviewed; the Board of Trade placed its information at the disposal of the deputation; important interviews were held with leading conciliators like Lord James of Hereford and Mr. Askwith, prominent industrialists like Sir Hugh Bell and Sir Benjamin Browne, economists like Prof. Ashley and Prof. Chapman; mines, factories, slums, colleges, university settlements were visited. Everything was done with German thoroughness.

Our visitors did not see everything in rose colour. Especially the conciliation organisation in the engineering and shipbuilding trades "did not appear to us very happily constructed." Nor was their view of the British trade unions "quite enthusiastic"; in the German trade societies (*Gewerkschaften*), says Dr. Zimmermann, "in spite of their unripeness and unreadiness, there is a more powerful 'kulturfaktor' for the elevation of the whole working classes than in the classic trade unions." On the other hand, the relations between employers and employed awoke their unstinted admiration. "The Commission

of the Society for Social Reform, in its study of the British conciliation system, has gained the impression that the old "workshop of the world" is to be congratulated on its successful practice in avoiding and quickly settling conflicts between labour and capital. Nay, with a certain envy must members of German industry who have inscribed on their banner not the class-war but the advancement of social welfare and justice look towards the island kingdom where labour disputes have almost steadily declined in sharpness and scope, while industrial labour in Germany is visited with disturbances which become ever more terrible, ever wider in action. But we have less cause to envy Britain for her special institutions and practically proved methods of pacification. These we could at any time imitate in Germany, and even now we have the means to do so. What rather awoke our envy, our admiration, was above all the healthy spirit which has called these things into life and brought them to a proud, successful development, the sober, practical discretion and the social desire for agreement which have ruled in all these committees and conciliation boards, and out of the multiform formulæ and methods of experience have made serviceable, elastic instruments for the work of social peace. The American Gilman once said: 'In social as in political affairs the completeness of the machinery matters little, but a good spirit and good will matter a great deal.' In this sentence lies the special secret of the success of the British conciliation system. The Anglo-Saxon national spirit, something of the quintessence of the political, social, religious, and economic development of the British people, is disclosed in its institutions for industrial conciliation." A noteworthy piece of evidence.

HENRY W. MACROSTY

Über den amerikanischen Stahltrust mit Berücksichtigung des deutschen Stahlwerksverband. Von JULIUS GUTMANN, Doktor der Staatswissenschaften. (Essen: Baedeker, 1906. Pp. viii. + 160.)

OPENING with a few pages on the development of the American iron industry, Dr. Gutmann sketches the growth of the great companies which united to form the United States Steel Corporation, and describes the origin and structure of that gigantic organisation. He next considers in detail how far the Corporation has a monopoly in the industry. With the great development in the United States its control over raw materials

has relatively declined, and while its share in the production of pig iron has slightly increased it was still only 44·2 per cent. in 1905; its share in the production of steel has fallen from 66 per cent. in 1901 to 60 per cent. in 1905. The really effective result of the combination is that the departments making finished iron and steel products have now an assured supply of raw steel, though complete self-sufficiency has not yet been attained. The participation of the Corporation in the various "pools" for billets, rails, &c., is then described, and the point is brought out that, though it holds the dominant position in each of them, it does not use its power to enforce a monopolist price-policy, although theoretically it would seem to be driven to high prices by its over-capitalisation. The last twenty pages are given up to an interesting comparison of the American Trust with the German Steel Kartell. For effective working the Trust required only the adhesion of the very large works, while the Kartell needed to be "in a monopolist position." The former can work by the reduction of costs, the latter mainly by the suppression of competition. The Trust is more firmly established on the basis of possessing its own raw materials—ore, coal, &c.—but the Kartell has a much stronger control over prices. Altogether, Dr. Gutmann has within small compass compressed a very useful review.

HENRY W. MACROSTY

At the Works. A Study of a Manufacturing Town. By LADY BELL. (Edward Arnold, 1907. Pp. xvi+272. 6s.)

LADY BELL, as the wife of Sir Hugh Bell, the great Middlesbrough ironmaster, is naturally in an exceptionally favourable position for studying the conditions of life among the workers at the blast-furnaces, and her book, now under notice, is consequently of special interest to the economist as showing the impressions made on one closely related to a great capitalist and captain of industry. It further gains since it is the record not only of her own investigations, but of the experience of a number of "visitors" accustomed to daily work among the poor. The first thing that strikes the reader is the absence of that pitying patronage which is worse than any class prejudice. To Lady Bell's penetrating sympathy the ironworkers are not a section of the community whose faults and weaknesses make them a suitable subject of study for well-meaning but superior persons. They are men and women of the same flesh and blood

as the middle and upper classes, possessing, in a similar degree, the same virtues and the same failings, subject to the same temptations, and only differing in that if they fall the punishment is more swift and severe. The national economics of the working classes has been abundantly studied, but to Lady Bell it is the domestic economics that is of most importance. She has written not a scientific treatise, but a brilliant and poignant sketch of what is the real reward of the workers.

"Out of 1,270 people paid in a given week, 23 (these were boys only) received under 10s. per week, 50 more boys received under 20s., 96 men, mostly labourers, received under 20s., 398 received from between 20s. and 30s., 410 between 30s. and 40s., 235 between 40s. and 60s., 58 between 60s. and 80s., and 4 over 80s." Out of 585 workmen 440 had worked for the same employers over five years, so that the stability of labour is high. "Out of 900 houses carefully investigated, 125, in round numbers, were found to be absolutely poor. The people living in them never have enough to spend on food to keep themselves sufficiently nourished, enough to spend on clothes to be able to protect their bodies adequately, enough to spend on their houses to acquire a moderate degree of comfort. One hundred and seventy-five more were so near the poverty-line that they are constantly passing over it. That is, the life of a third of these workers whom we are considering is an unending struggle from day to day to keep abreast of the most ordinary, the simplest, the essential needs. Four hundred were comfortably off as far as their means were concerned, though not more than half of them probably administered those means with wisdom and judgment; and 200 superior well-educated homes were in quite easy and prosperous circumstances." This is sufficiently unsatisfactory, and the outlook does not become any more roseate when we remember that Sir Hugh Bell declared, at the annual meeting of Bell Brothers last April, that "if the wages paid on the making of iron in that district had been 10 per cent. higher than for the last ten or fifteen years, there would have been no profit left at all for those whose capital was engaged in the enterprise." Even if this does not preclude some improvement in at least the worst-paid grades it is plain that any immediate improvement must come from other directions. One of these may be surmised from Lady Bell's remark that "the rent in nearly all the budgets I have been able to verify is entirely out of proportion to the rest of the expenditure." The money set down for coal in the budgets given seems also much

too high for a town on the edge of the coalfields. And it is curious that, despite all the modern improvements in machinery, "the question of boots is one of the most serious they have to face."

Throughout one gets an unpleasant picture of the precariousness of the workers' position. Although the men at the furnaces are specially selected for their strength, yet so toilsome is their occupation, and so great is their exposure to extremes of temperature, to dust, and to poisonous gases that they are very liable to disease and accident, and one-half of their number, at least, have to seek for lighter employment at fifty. The heaviest burden of poverty, however, is borne by the workman's wife, and though her trade of house-manager demands more skill than almost any other occupation she is very rarely trained for it. The middle-class woman is no better trained, but she at least is largely protected from the effects of her inefficiency, whereas lack of administrative ability in a working woman means misery and want for a whole family. Throughout her two heartrending chapters on "Wives and Daughters," Lady Bell steadily draws comparisons between the lot of the wife of the working class and her sister in the middle class in a way which brings out the helot-like position of the former. We are sorely disturbed because the employment of women in factories may be a cause of infantile mortality, but Lady Bell shows that the circumstances under which a workman's wife has to toil all through the period of childbearing are not less likely to produce physical degeneration in the offspring.

Drink and betting are responsible for much waste, both of money and health, but it is plain, from Lady Bell's pages, that lack of education and the absence of means of rational recreation are two of the main causes why these evils are so widespread. One feels inclined to advocate the starting of municipal clubs of a temperance (not necessarily a total) character, well-provided with books, games, concerts, plays—Lady Bell is properly strong on the moral influence of melodrama—as a counter-attraction to the garish delights of the gin-shop. An interesting chapter reveals almost unexpectedly good results in the reading habits of the working classes; the clerk class and even higher classes could show no better. The corporate life of the workers is, unfortunately, scarcely touched in this book. A little is said about the friendly societies, a few words about the trade unions, but nothing at all about the co-operative movement; nor is anything said about the municipal and political

activity of the workers. We hope that Lady Bell will add a fresh chapter to her second edition and so increase the value of her book. Meanwhile, it is indispensable to everyone who, with the author, is anxious to learn what the labels of economics mean "in terms of human beings."

HENRY W. MACROSTY

Iron and Steel Production in America. By F. POPPLEWELL.
(Manchester : University Publications, 1906. Pp. 119.)

THE Manchester University has now issued quite a long list of publications, all of which are doubtless interesting to those who are, or have been, connected with that University, while many of the volumes are of sufficient general interest to appeal to a much wider public.

The book at present under review is worthy of a place in this series of University publications, and will be welcomed by all who are interested in the recent remarkable expansions of the metallurgical industries, both at home and abroad. In connection with political and commercial discussions during the past few years it has been often urged that more information is needed, and that research in commerce should be encouraged. To most of us the question as to what constituted commercial research, and how such research should be conducted, has presented a serious difficulty. This difficulty has, however, been largely removed by the publication of work such as that undertaken by Mr. Popplewell. From the preface it appears that as Gartside Scholar of the University of Manchester the author paid a visit to the United States of America in 1903 and 1904, spending three months in the laboratory of a large steel works in Pennsylvania, and the remainder of the time in travelling. The object of the Scholarship is to encourage the study of some industry or part of an industry, and to investigate this comparatively in the United Kingdom and abroad. The industry selected by Mr. Popplewell was that of the iron and steel trade, and one is inclined to wonder at the boldness of the enterprise in view of the enormous dimensions of the industry, its complex character, and the diversity of the products which are obtained. Such an undertaking may be regarded from the point of view either of the expert or of the University student. From the expert point of view it may be suggested that practically all that Mr. Popplewell has said has already been well said in the Report of the British Iron Trade Association, the *Journal of the Iron and*

Steel Institute, and the technical press. It is evident, too, that in some places the author's metallurgical knowledge is superficial, and it would not be difficult to prepare a considerable list of minor inaccuracies. In parts also the reader feels that he is being treated to pages of the author's note-book, and that the matter has not been digested or put into proper place or form. From the expert point of view, therefore, it may be frankly stated that better things have been done than this.

But regarded as the work of one who is presumably a relatively young man, and just fresh from the University, the book has many strong points. It is written in a style which is likely to appeal to the general student and the commercial man; it contains much carefully compiled information, and reflects the views of one who had just seen and fully appreciated the things described. It covers a wide ground, dealing with an outline of the metallurgy of iron and steel; the extent and development of the American iron and steel industry; the varieties of fuel and sources of supply; the production and transport of coke; the supplies of iron ore; the handling and transport of ores; typical blast-furnace plants, with details of construction and output; the manufacture of steel by each of the important processes; and the production of finished steel. An interesting chapter is also added on American labour and education. In places the descriptions, though brief and matter of fact, are yet graphic, and to one who has had the opportunity of travelling over much of the ground, and seeing many of the things, which Mr. Popplewell describes, the book brings back many pleasant memories, and vividly recalls many almost forgotten facts. At the moment of writing the information is nearly three years old, and perhaps that is, after all, the principal defect of the book.

As a conscientious and clear account of an important industry, and as a typical example of what research in commerce means, the book may be strongly recommended to the general reader; while all metallurgists may find in it much which will be of interest to them, either for present use or for future reference.

THOMAS TURNER

Commercio internazionale. By G. DE FRANCISI GERBINO.
(Palermo: Alberto Reber. Pp. 475.)

THIS book, for the most part, covers the ground treated in Prof. Bastable's *Theory of International Trade*. It also con-

tains chapters of a more special character, dealing respectively with "import duties upon wheat," the "British fiscal controversy," and "the causes of Protection." The author has paid great attention to English writings, and refers his readers to many ephemeral papers that have appeared during the recent controversy. His main argument is on familiar lines. Much stress is laid upon the doctrine of comparative cost, and there is a chapter on "The Theory of International Values." The author's aim, however, appears to be exposition rather than discovery, and he but rarely throws fresh light on the dark places that still remain in the analysis of foreign trade. On the practical side, he proclaims himself an uncompromising advocate of Free Trade, and considers the prevalence of Protection on the Continent and in the United States to be due to successful efforts on the part of private interests to gain control over the Legislature. The chapter on "Wheat Prices" is more detailed and less familiar than the main body of the work. The incidental criticism passed on the opinions cited from English writers is not always convincing. But the book is one on which great pains have evidently been expended; it is well arranged and lucidly written.

A. C. PIGOT

The Tariff and the Trusts. By FRANKLIN PIERCE. (New York: The Macmillan Company. Pp. 383.)

MR. PIERCE is a member of the New York Bar. His book is a vigorous and well-written polemic against the trusts and the tariff. The trusts, he maintains, mulct the consumers and corrupt politics; and the tariff is responsible for the development of the trusts. There are three chapters on American, English, and German tariff history; but these are exceedingly slight. The chief interest of the book is in the detailed facts and opinions of American manufacturers that are interwoven with the discussion. It is also entertaining for Englishmen to observe that the argument from lists of firms which have started establishments abroad, so often used here to prove that Free Trade drives away capital, is used by Mr. Pierce, with equal plausibility, to prove that Protection has this effect. On page 29 reference is made to "the Tariff Commission appointed by the Conservative Government of England at the instance of Mr. Chamberlain!" Perhaps the best chapter is that on "American and English shipping." The decline of America's mercantile

marine was probably, in part, due to causes which Mr. Pierce ignores; but, no doubt, fiscal policy was one cause. In the course of the work a number of interesting citations from various sources are made; but no references are given. In a scientific work this would be a serious blemish. But Mr. Pierce's book does not claim to be scientific. It is an excellent popular plea for a lower tariff.

A. C. PIGOU.

Studien zur Bevölkerungsbewegung in Deutschland in den letzten Jahrzehnten mit besonderer Berücksichtigung der ehelichen Fruchtbarkeit. Von DR. PAUL MOMBERT, Privatdozent an der Universität Freiburg i. Br. (Karlsruhe: G. Braun, 1907. 8vo. Pp. 280.)

THIS volume is a useful contribution to the growing mass of statistical literature on the birth-rate question, a question which is now of pressing importance in almost every civilised country. France led the way, England followed, and Germany is treading the same path; in each country the phenomena are the same in kind, differing only in magnitude or in the epoch at which they first began to be of sensible importance.

Dr. Mombert's studies commence with an introductory discussion of the changes that have taken place in mortality and in the marriage-rate, an understanding of these being necessary for the proper comprehension of the changes in the birth-rate and their meaning. The mortality in Germany, as in Europe generally, fell rapidly during the latter half of last century. In 1850 the death-rate was something like 29 per 1,000; of recent years it has been 20 per 1,000 and less. No satisfactory data of a detailed kind appear to be available for the empire as a whole, but in Prussia, at all events, the decrease has been spread over all ages and both sexes, though the decrease is relatively greatest for childhood and youth. The marriage-rate has fluctuated, but exhibits no continuous trend like the death-rate: as in England, there was a fall from a maximum about 1872 to a minimum about 1880, and thence a gradual rise to a second maximum about 1900. But this superficial similarity masks a most striking difference. While the rise towards the end of the century in England appears to have been wholly due to the rise in the proportion of marriageable persons to the whole population, in Germany no such increase took place, and the change in the marriage-rate appears to indicate a really increased

tendency to marriage : the average age at marriage in Germany has fallen, and the proportion of persons married at younger ages (20-40) has increased. These phenomena may indicate, however, not a greater tendency to earlier marriage in each separate social class, but only a relative increase of those social classes in which marriage generally takes place earlier, *i.e.*, the working classes. The greatest increase in early marriages has, in fact, taken place in those districts which have been industrialised during the last few decades.

During the first half of last century there was no real, long-continued fall in the birth-rate; such temporary decreases as occurred appear to be adequately accounted for by unfavourable economic circumstances and the coincident changes in the marriage-rate. The fall of recent years cannot, however, be explained on any such hypothesis : there has been a rise in the proportion of married persons to the population, and the general welfare of the people has improved. The entire fall in the birth-rate is, in fact, due to the decreased fertility of marriages, and this decrease, Dr. Mombert argues, is directly due to the increase in welfare, operating through an increase of prudence and foresight and not merely through a physiological decrease of fertility. The argument is developed as follows. In the first place there is a marked inverse relation between welfare and fertility in different districts : apart from instances in other countries, if the districts of Berlin, Hamburg, Leipzig, and other large towns are ranged in order of fertility, it is obvious that the most fertile districts are, on the whole, those with the greatest proportions of overcrowded tenements and tenements at low rents. Similarly, in comparing different towns, or larger districts, there is an obvious relation between the fertility and the number of savings bank accounts per 100 inhabitants. This alone suggests that where welfare improves fertility will decrease, and that the decrease will be due to thrift, and the suggestion is borne out by trial, districts showing the greatest decrease of fertility exhibiting, on the whole, the greatest increase in savings bank accounts. Where exceptions occur, as in the industrial districts of the west, they appear to be accounted for by the increase in the proportion of wives at younger ages.

While in several instances we are hardly disposed to agree entirely with the author's conclusions, *e.g.*, in the slight weight attached to the possibility of physiological changes in fertility with the rise in standard of living, the theory is, broadly speaking, borne out by the figures adduced. We should, however,

like to have seen a comparison of fertility with status of districts for an earlier period : the fact that the relation between fertility and welfare, in this country, is largely a growth of the last half century, if we may accept Mr. Heron's conclusions, seems to put some difficulty in the way of the acceptance of Dr. Mombert's theory as completely adequate, nor does it account for the very marked turning-point in the birth-rate in 1876. Dr. Mombert does not enter into a discussion of the more immediate causes of the fall nor of its consequences. Wisely, perhaps, he also does not venture on any suggestions as to the desirability or otherwise of any legislative action on the matter, but his volume remains a useful presentation of the facts in Germany. The reader must, however, be careful in studying some of the tables given, where errors in the headings have occasionally been overlooked—*e.g.*, "marriages" being stated in lieu of "persons married," an error rather disturbing to the uninitiated.

The literature on population at the commencement of this century, of which this volume may be taken as typical, stands in the most remarkable contrast with that of a hundred years ago. Then the economist was afraid of the too rapid growth of population : now the source of anxiety is the fall in that rate of growth, and the apparently differential character that is rendering it an agency for the selection of the "less fit," owing to their more rapid reproduction. Will this state of affairs continue, or is it a passing phase that has occurred before and will occur again? If the theory that the fall in fertility is almost wholly due to the growth of welfare and comfort be accepted as adequate, it can hardly fail to continue, and every step in advance will only tend to a further fall ; the present fall must, in fact, on such a theory, be regarded as in great part a direct consequence of the philanthropic legislation of the last century—legislation that encouraged foresight by the provision of education and thrift by affording opportunities for saving. While we do not believe that the theory contains the whole truth, it should be recognised that the general tendency of all such legislation is to lessen the reproduction of the better elements of the population rather than the worse, and the problem so created must be faced.

G. UDNY YULE

Die Weltwirtschaft. Ein Jahr-und Lesebuch. Herausgegeben von E. VON HALLE. I. Jahrgang, 1906. III. Teil, *Das Ausland*. (B. G. Teubner in Leipzig und Berlin, 1906. 5 marks.)

THE third maintains the character of the former parts noticed in the *ECONOMIC JOURNAL* of 1906, p. 605. Copious statistics are given for the principal industrial countries, with shorter accounts of produce and trade in the less important regions, for 1905 and the years immediately preceding. The countries and regions are dealt with by different experts, and the verbal comments are informing. The British Empire is treated by Mr. W. A. S. Hewins, and the arrangement of statistics and the comments thereon do not conceal his well-known views, and will not meet with universal assent. We may notice, for instance, that the supposed tendency of the woollen trade towards the lower stages of manufacture (analysed in the *ECONOMIC JOURNAL* of 1905, pp. 584-590) is emphasised (p. 15).

A. L. BOWLEY

The Economic Development of a Norfolk Manor, 1086-1565.

By FRANCES GARDINER DAVENPORT. (Cambridge University Press, 1906. Pp. x., 105, and cii.)

MISS DAVENPORT'S bibliography of printed original materials for English manorial and agrarian history during the Middle Ages has long been an invaluable aid to economic students. She has now followed this up by a piece of intensive economic history, namely, an elaborate examination of the changes which took place on Forncett Manor between the time of the Domesday survey and the beginning of the reign of Elizabeth. The history thus unfolded in detail embraces the most important period of English agrarian and social history : it comprises the agricultural revolution of the fifteenth and sixteenth centuries, and the consequent freedom of movement gained by the mass of the population. A striking feature of English economic development is the early date at which the agricultural population became free, and this book brings out the way in which this change was accomplished in one particular spot where economic events were probably typical of the revolution in East Anglia. After examining the topography and territorial development of the manor, Miss Davenport gives an account of the inhabitants and the tenure under which they held. She brings out the large proportion of free persons to unfree existing on the manor, and the fact that

the freemen tended to live apart, while the unfree were grouped together in villages.

The book falls naturally into two parts: the history of the management of the demesne and the history of the tenants and their land. In the history of the demesne between 1270 and 1307 we hear how the bailiff managed the estate, and what were the duties of the inferior officials. A very minute account is given of the husbandry of the manor, the income in dues and food that the lord obtained from it, the outgoings and the net profit. The whole account presents a careful picture of the manorial life of the time.

In the second period, 1376-78, the organisation of the manor and the administration of the demesne were revolutionised. The principal change lay in the fact that the lord was leasing the arable land instead of cultivating it himself. Owing to the great pestilence much land had come into the lord's hands, and the labour dues could not be exacted. Out of 3,219 winter, summer, and autumn works owed, 1,722 were no longer available between 1377-78. Having lost half the labour rents the lord would have to hire labour if he continued to cultivate the land himself. It was more profitable, however, with the high wages demanded, to break up the demesne, and let it to tenant farmers. Miss Davenport brings out the fact that this new method of farming meant a loss to the lord, and that the decrease in the value of the manor was about £30. The average net profits in the earlier period had been about £93, so the loss was considerable.

The third period covers the years 1400-1605. During that period the land held on payment of labour services was converted into leasehold. In 1406 of the 3,219 days work owed only 195 were available, and the net profits of the manor decreased until between 1604-5 they were £50. It was not merely the nineteenth century which witnessed a great fall in the value of land. With the rise in prices of the sixteenth century the £50 of 1604-5 meant a greater decline than the figures indicate. This tracing in detail of the actual loss incurred is one of the most valuable contributions of the book to economic history.

The history of the tenants' holdings is traced for the same periods. We first of all learn to appreciate the tremendous variety of services and dues owed on this manor, then we come to the period of disintegration and the flight of many of the serfs with a view to bettering their position. The author suggests that the withdrawal of the serfs from the manor is a factor in

the disappearance of serfdom, which has been underestimated hitherto, if this manor is typical of the country at large. She also traces the distance to which the serfs removed between 1400 and 1575: the majority of families had settled within twenty miles of the manor. The growth of sheep farming, the increase in the size of the holdings, the inclosure of lands in the open fields which took place on this manor, all illustrate specifically the general course of the agricultural revolution which we gather from the contemporary ballads and pamphlets. Controversy has raged as to whether enclosing in the fifteenth and sixteenth centuries was widespread, or of inconsiderable amount. On Fornssett one-third to one-half was enclosed by 1565, but for arable purposes as well as sheep farming. The holdings of the tenants were originally very small, averaging 7.5 acres, but during the course of centuries they increased in size, and at the same time on this particular manor rents ranged high during the fifteenth century (p. 79), which probably is to be connected with the spread of sheep raising. By the sixteenth century the tenants held their land on perpetual leases, and in 1575 the last two remaining bond families were compelled to buy their freedom, and the period of serfdom came to an end.

The changes in the population of the manor are discussed with a view to throwing light on the controverted question as to the extent of the ravages of the Black Death. On this estate the number of people between 1376 and 1565 was only about half what it had been at the beginning of the fourteenth century.

We must hope that other students will soon imitate Miss Davenport, and give us the internal history of other manors in other parts of England, so that we shall be able to judge eventually from first-hand evidence as to whether Fornssett was typical or exceptional. May those who undertake the laborious nature of the work of reconstructing the life of a particular manor bring to the task the care, patience, and historical insight which characterises the writer of the book under review. It is a model of the way in which manorial records should be treated.

L. KNOWLES

British Economics in 1904. By W. R. LAWSON. (W. Blackwood and Sons, 2nd Edition, 1906.)

American Finance—Domestic. By W. R. LAWSON. (W. Blackwood and Sons, 1906.)

THE first of these books is a sort of compendium of all those pessimistic criticisms of public and private business policy which

appear in times of trade depression. A facile style, and some polemical skill of the sort that appeals to the reader who is not too well instructed, have made the book so popular that it has run into a second edition. Unfortunately, it cannot be said that there is anything of value in the book for the serious student. The author is hopelessly fogged over the question how to measure the wealth of the country. He makes great fun of Sir Robert Giffen's estimate of income on the ground that "one taxpayer's expenditure forms a new income for other taxpayers. The two overlap and duplicate each other indefinitely," and it is therefore absurd to add all individual incomes together. If anything can be made out of the confusing chapter entitled "Statistical *versus* Solid Wealth," it is that only savings and not income should be taken as a measure of prosperity; but the discussion is hopelessly fogged by the influence of some vague attempt to distinguish between "productive" and "unproductive" labour, under new names. Salaries of Government officials, for instance, ought to be entirely excluded, we are told.

A subject of much concern to the author is the excess of imports. He refuses to believe that the earnings of shipping can be so large as Sir R. Giffen estimates, and has a haunting fear that the "nation," somehow, must be piling-up debt. There is nothing of any value in the chapter devoted to this subject. It is almost as hopelessly confused as that on national wealth. For instance, it is argued that the earnings of shipping must be halved in estimating the "invisible exports," because freights are already included in the value of the imports.

"Our growing incubus of rates and taxes," "our joint-stock directors," "our foreign-controlled money-market," "our conservative railways," are some typical headings of chapters in which the author discovers alarming symptoms everywhere. No one denies that there is room for criticism everywhere, but alarmist writing of the kind here found is now discredited. The book is mere journalism. The only use which a serious student could find for it would be as an answer to the question, What is the use of economic theory? Anyone who finds a difficulty in answering might be recommended to read this book. One use of economic theory is that it saves one from writing, or being taken in by this kind of thing.

The volume dealing with the United States is distinctly better than the other. Mr. Lawson has no axe to grind in this case. A large part of the book is occupied with the history of American banking and currency—a very complicated story, the

outlines of which Mr. Lawson gives in quite a readable form, though we are not sure whether the non-banking reader will understand all the intricacies. The peculiar history and present position of the Treasury in relation to the banks is particularly difficult for an outsider to understand. This book may help those who know something of the subject already, but a little elementary explanation of the functions of banks and their methods of working would be useful in a book like this, which is intended for general readers.

In criticising the present situation, Mr. Lawson says much which will meet with general approval, if there is nothing particularly novel. He takes, perhaps, an unduly alarmist view of the financial situation, especially in regard to what he calls the "delusive gold reserves," but there can be no denying some ground for uneasiness. Perhaps the most interesting part of the book is Chapter XV., in which the author points out the apparent discrepancy between the statistical estimates of the increase of capital value of farms in the United States and the much more modest increase in actual production. There seems to be room for investigation there.

C. F. BICKERDIKE

NOTES AND MEMORANDA

A LETTER OF MALTHUS TO RICARDO.

LETTERS of Malthus, as is well known, are very rare, as rare at least as those of Adam Smith; and no collection of his correspondence with Ricardo or with any other economists seems anywhere to be preserved; though we fortunately possess a volume of Ricardo's letters to Malthus, ably edited by Malthus' biographer, Dr. Bonar. The loss of Malthus' share in this correspondence may be ranked by economists next to that other literary disaster, the destruction of David Hume's comments on the "Wealth of Nations."

The letter here printed, one solitary passage in the missing correspondence, will increase the general regret for the loss of the rest. It is addressed to D. Ricardo, Esq., Gatecomb Park, Minchinhampton, Gloucestershire; and dated, East India College, October 9th, 1814. It is a reply by Malthus to a letter of Ricardo, dated September 16th, 1814; and it was answered by Ricardo in a letter dated October 23rd, 1814, a long letter of five printed pages. The two letters of Ricardo are Nos. XIX. and XX. of Dr. Bonar's edition, and will be found on pp. 43-51.

The Malthus letter was purchased for the Goldsmiths' Library from Messrs. Sotheran in March, 1907. No indication of its provenance was given; but there is a passage in a letter of Ricardo, No. XXI., of December 18th, 1814, which may perhaps explain how it came to be separated from the rest. Ricardo asks Malthus to allow him to give one of his letters to a Mrs. Smith, to add to a collection she was forming "of the handwritings of a great number of men who had distinguished themselves by their writings." The Smiths were friends of Malthus, and we cannot imagine him refusing the request. It is not improbable, therefore, that this letter, which he had so recently received, was the one Ricardo gave to Mrs. Smith.

The letter, as well as the discussion of which it forms a part, is highly characteristic of the men and their age. It relates to one of the most Ricardian of Ricardo's doctrines; precisely the kind of doctrine Malthus would be unable to accept and at the same time too much interested in to ignore. Even in his most speculative flights, Malthus usually keeps one eye on the facts, by way of checking his reasonings; and the extreme abstraction of this argument of Ricardo moves him to protest. It is significant of his strong practical bent, and keen sense of responsibility, that he refers to the kind of controversy in which they were engaged as "the metaphysics of Political Economy." The term in those days had a dyslogistic sense; and its use indicates, no doubt, that Malthus would have preferred to discuss such questions on more realistic lines. It will be noted, too, that Malthus, here as in many other places, insists on the importance of demand, and of the due consideration of the element of time; and again, that he prefers to rest the argument on price measures, rather than to carry the abstraction a step further, as was the custom of Ricardo. He writes, for instance, of price of production, rather than cost of production. These suggestions, which all point in the direction taken by subsequent theoretic advance, are among the features of interest that seem to make the letter worth publishing.

H. S. FOXWELL

[COPY.]

E. I. Coll., Oct. 9th, 1814.

MY DEAR SIR,

We are very much obliged to you and Mrs. Ricardo for your kind invitation to Gatecomb Park at our Xmas vacation, but I fear it will not be in our power to accept it. If we go from home we can hardly avoid going into Surrey; but we have latterly come to the resolution not to make distant excursions more than once a year, and I believe therefore we shall confine ourselves to Hayleybury and London. Our best chance of seeing Gatcomb and particularly of seeing it in beauty will be during some summer vacation in our way to or from our friends near Bath. Perhaps next summer we may be in that part of the world, and it will be a great additional pleasure, in our excursion, to be able to pay you a visit.

I do not write so soon after receiving your letter as I should perhaps feel inclined, for fear of occupying too much of your

time, as well as my own. But I think that a letter now and then on these subjects will do us no harm, and perhaps may be the means of settling some important points relating to the metaphysics of Political Economy.

You seem to think that the state of production from the land, compared with the means necessary to make it produce, is almost the sole cause which regulates the profits of stock, and the means of advantageously employing capital. After what I have written on the subject of food and population I can hardly be supposed not to allow a very great effect to so very great a cause. But unless it could be shewn that no improvements were ever to take place either in agriculture or manufactures, and that upon a rise in the price of raw produce, new leases would be immediately granted, new taxes levied, and that the price of labour and of every other commodity both foreign and domestic would rise without delay exactly in proportion, the doctrine is evidently not correct in practice. And as these contemporaneous effects are in my opinion not only improbable but impossible, it would be quite useless to lay much stress upon it even as a theoretical groundwork. It appears to me that nearly all which can be safely advanced respecting the dependence of profits on the state of the land is, that the facility of acquiring food, and particularly the possession of a great quantity of good land is the main cause of high profits, and the ultimate check to the indefinite extension of capital population and demand. But that in the interval between the two extremes, considerable variations may take place; and that practically no country was ever in such a state as not to admit of increase of profits on the land, for a period of some duration, from the advanced price of raw produce.

The Profits of stock, or the means of employing capital advantageously may be said to be accurately equal to the price of produce, *minus* the expence of production, and consequently whenever the price of produce keeps ahead of the price of production the profits of stock must rise. And this has unquestionably been the case on the land in this country during the last 20 years. It is not the *quantity* of produce compared with the expence of production that determines profits, (which I think is your proposition) but the exchangeable value or money price of that produce, compared with the money expence of production. And the exchangeable value of produce is not of course always proportioned to its quantity. In poor countries of rich land the profits of stock are in general not nearly so high as they ought

to be according to your theory ; and in rich countries of middling land and of an increasing commerce, they are often much higher. In stating the cause of high profits you seem to me to consider almost exclusively the expence of production, without attending sufficiently to the price of produce, and greatly to underrate the wants and tastes of mankind in affecting prices, and, consequently in affecting the means of profitably em[ploying] capital. What is it I would ask that enables the foreign merchant to sell the tea sugar and tobacco which he imports at a higher price than the manufactures which he has sent out in exchange for them. Solely their being better suited to the wants and tastes of society. There is no greater power to purchase them, but there is a greater will. And the *final cause* of the wealth which the country derives from these commodities, and of the means of profitably employing capital in their importation, is the existence of a taste for them. It is in considering merely of the proportion of commodities to one another, and not of their proportion to the wants and tastes of mankind that the error of Mr. Mill, in my opinion, consists. I cannot by any means agree with you in your observation that "the desire of accumulation will occasion demand just as *effectually* as a desire to consume["] and that "consumption and accumulation equally promote demand." I confess indeed that I know no other cause for the fall of profits which I believe you will allow generally takes place from accumulation than that the price of produce falls compared with the expence of production, or in other words that the *effective* demand is diminished. For this is how I understand the term effective demand, and this I think is the interpretation of it given by Adam Smith. And according to this interpretation, that is upon the supposition that a greater effective demand means a greater excess of the price of produce above the expence of production, you would merely allow that the effective demand would always be greatest when the quantity of capital was comparatively the smallest or the profits of stock highest. The true question relative to Mr. Mill's proposition is not whether a man would like to spend half as much again ; but whether you can furnish to persons of the same incomes a great additional quantity of commodities without lowering their price so much compared with the price of production as to destroy the effective demand for such a supply, and consequently to check its continuance to the same extent.

The principal difficulties on the present question appear to me to arise from the very different effects of an increase, or

diminution of capital on the land, and in manufactures and commerce; particularly with regard to price, occasioned by the different nature of the instruments employed, one set naturally growing worse, and the other generally growing better. But I have no room for more, so adieu.

Ever truly yours,

T. R. MALTHUS

THE CANADIAN TARIFF REVISION.

In numerous ministerial declarations during the last year or two it was explained that the new tariff was to be framed on the basis of maximum and minimum schedules, with a series of preferential rates lower than those of the minimum schedule. It was supposed that the maximum schedule would be applied to the imports from such countries as Germany and the United States, the minimum schedule to imports from countries which do not subject Canadian exports to their least favourable rates of duty, and which maintain tariff rates at a moderate level.

Such a plan of operation for the Canadian tariff seemed to offer some favourable possibilities. On the one hand, Germany might have ceased to receive a treatment so special as to have the appearance of peculiar ill-will. On the other hand, many interests in Canada would have welcomed the increase of obstacles to importation from the United States, and others would have hoped to secure, as the purchase-price of the concession of the minimum rates to the United States, a substantial scaling-down of the existing extravagant rates of duty with which Canadian exporters are met in that direction.

Mr. Fielding's speech revealed an arrangement even more complicated than had been foreshadowed. The special surtax applying to Germany has been retained unaltered, the rates being one-third above those of the ordinary tariff. As this ordinary tariff is thus not one of maximum rates, it retains the old title of general tariff. The principle of the maximum and minimum plan is, however, embodied in the new scheme, in the shape of an intermediate table of rates, about one-tenth below those of the general tariff, on the average, though numerous rates are identical in the two schedules, and in a considerable number of cases the intermediate rates are exactly half-way between the general and preferential rates. The intermediate tariff is to be applied to imports from countries which

give adequate concessions in their own tariffs to imports from Canada. If Mr. Fielding's meaning was correctly interpreted, the intermediate rates represent the extreme of the concessions which non-British countries will be able to secure from Canada. The entire list of intermediate rates may or may not be conceded to any one country in return for what it gives, so that, if a country be unwilling to give adequate concessions, it will secure a correspondingly meagre share of the advantages presented by the intermediate tariff. If this be the correct interpretation of Mr. Fielding's words and manner when presenting the subject, some not inconsiderable difficulties may arise. Of these the chief is that presented by "most favoured nation" clauses in British treaties which apply to Canada, unless those clauses are to be given the American interpretation, and held to promise merely reciprocal concession of terms as favourable as those granted to any other nation. The Finance Minister referred to the obstacle presented by these treaties. He suggested that it might be possible to conclude arrangements with several countries, to take effect at about the same time. If we examine the trade returns for 1905-6, we find that 95 per cent. of the dutiable imports from non-British countries were received from the following six, viz.: United States (which contributed 75 per cent.), France, Germany, Belgium, Switzerland, Japan. Now, of these, no difficulty would arise in the case of the United States, Germany, or Belgium, since the grant of special terms to other countries would not involve the extension of those favours to either. Canada has learned from experience that both France and Japan are willing to meet her in trade matters. By including only five other countries, or, in strictness, four only, over 98 per cent. of the dutiable imports are covered, and two million dollars only left for all other countries. These four are Holland (including the Dutch East Indies), Spain, Austria-Hungary, and Italy. Most-favoured-nation treaties only affect Canada's relations to Austria-Hungary and Spain of these. Even of the small remainder of two million dollars, one-third is derived from Cuba and Porto Rico, and the American interpretation of the most-favoured-nation clause may perhaps apply to these. It will thus be seen that the obstacles in the way of action looking towards the application of the intermediate tariff are not as great as has been represented in some quarters. Could satisfactory reciprocity treaties be arranged with France and Switzerland, Austria-Hungary, Spain, and Japan, they might be put into force without waiting for treaties with the rest of the world,

especially as a number of the minor countries are, like some of those named above, not entitled to claim from Canada the most-favoured-nation treatment.

The relation of the United States and Germany to the new intermediate tariff has attracted a large amount of attention. It has been freely stated that both would, as a matter of course, proceed to qualify for the favours embodied in it. As to this, it may be said at least that there are grave reasons for doubting the accuracy of such a prophecy. The retaliatory spirit expressed in the surtax imposed in Canada on German goods, and in the action which provoked it, by which Canadian goods are subject to the rates of the German maximum tariff, is rather different from the friendly exchange of reciprocal favours which the offer of the intermediate tariff is meant to evoke. It is true that hopes are expressed at Ottawa that a better relationship with Germany may be arranged in the near future, and it might happen that the German minimum tariff would be considered sufficiently favourable to Canada to warrant, not merely the abandonment of the surtax, but the grant of the intermediate rates. If that were to happen, German competition with some lines of British trade in Canada, severe in spite of the burden of the surtax, might become very serious.

As to the prospect of reciprocity between Canada and the United States, the immediate future seems to promise little definite movement. The utterance of Sir Wilfrid Laurier in the House of Commons on January 14th expresses the opinion of most well-informed people. The Canadian Premier said :—

“I do not think it would be possible to obtain from the United States, at the present time, or at any time, any *quid pro quo* in the way of trade concessions. We have been looking for trade concessions for a long time, but we do not look for them any more now; we have abandoned that idea long ago. We do not care any more to have these trade concessions. There was a time when we would have given a great deal to have trade concessions from our American neighbours; they chose in their own way to refuse these; we have done pretty well without them, and at the present time we do not expect anything of that nature.”

The official statements of the Canadian Manufacturers' Association, professing fear that the application of the intermediate tariff to the United States would soon be realised, and would threaten the existence of numerous Canadian factories, need not be taken too seriously. They are opposed to all that can be

learned as to the disposition of the Congress of the United States, and especially of the Senate.

Whether the intermediate tariff remain as an exhibition of what Canada is willing to do, an offer which none accept, or not, it may be said to express anew the spirit of the reciprocity offer of the tariff of ten years ago. That offer of reciprocity was quickly changed so as to apply only within the limits of the British Empire. It had served an end in procuring the denunciation of the Belgian and German treaties. It seemed, almost, that the new scheme of the Canadian Government might be designed to procure the denunciation of all the British most-favoured-nation treaties which include Canada within their scope. What has been stated above makes it appear that such action is not necessary to enable Canada to act effectively in the promotion of her own trade interests as may seem best to herself.

Passing, now, from the most novel feature of the new tariff to the changes in the preferential rates, we find realised the anticipated replacement of a uniform rebate of one-third by preferential rates varying from item to item. The principal line of change has resulted from the application of a rule that every rate of duty shall be a multiple of $2\frac{1}{2}$ per cent. On rates like 20, 25, or 35 in the general tariff, the one-third rebate produced some awkward fractions in the preferential rates. In the new tariff all these are abolished, a result achieved, sometimes by raising, sometimes by lowering the rate of the preferential duty. Thus, in the old tariff, cotton fabrics, white or gray, bleached or unbleached, were charged at 25 per cent. The preferential rate was thus $16\frac{2}{3}$ per cent. In the new tariff the general rate is unchanged, but the preferential rates are made different, that on white fabrics being raised to $17\frac{1}{2}$ per cent., while that on gray goods is lowered to 15 per cent. A few items, about a dozen in all, have the same rate of duty whatever their origin, being treated in the same way as tobacco and alcoholic liquors in the old tariff. The new items are all charged at low rates, 5 or 10 per cent. They include stereotypes, on which the duty is halved, while stereotypes in foreign languages, formerly free, are no longer treated differently from those in English or French.

There is also a list of a dozen items, half of which were formerly in the free list, which are free under the preferential tariff, and bear small duties under the other tariffs. This has involved imposing duties on some items when imported from other than British sources. Salt, celluloid in the rough, curling

stones, and some kinds of iron and steel wire are now dutiable when non-British in origin, while the duty on dry red lead, and some varieties of iron and steel sheet and pipe, remains when they are of foreign origin, but is abolished when they come under the preferential tariff. There are a few transfers between the free list and the dutiable list, of which examples are : uncleaned rice now free; the duty on cleaned rice being correspondingly reduced; and paintings, formerly free if "by artists of well-known merit," now dutiable at 25 per cent. under the general tariff, 15 per cent. under the preference, with a limit of fifty dollars chargeable on any one painting or pastel.

Besides such changes in the free list, some of which may prove of considerable importance, a new plan of dealing with certain materials of manufacture is adopted. Both the old and the new tariff provide numerous instances of specially low duties or freedom from duty for materials, otherwise subject to the ordinary scale of duty, when these materials are imported by manufacturers for working up in their own establishments. The new tariff tries a novel plan of controlling such importation. The specified materials are to be regularly imported, and, when they are worked up into goods sold for home consumption, the manufacturer is to be able to claim a drawback, which is, in the great majority of cases, 95 per cent. of the duties paid. In nearly all these cases the materials had previously been on the free list. In one case, where the drawback is 50 per cent., the previous arrangement had been to admit the material for the use of the manufacturer at 15 per cent. duty (preferential rate 10 per cent.). The new plan reduces the burden somewhat, but, as the duties of which the half are to be refunded are much higher than the old 15 per cent., the change in the situation is much less than appears at first sight. Some complaint has been heard that manufacturers of iron and steel are to be deprived of an important part of the home market by the new drawback arrangement, but a comparison of the actual conditions under the old and new tariffs shows that no more than a little extension of the range of materials admitted on special terms for manufacturing purposes has been effected. 'On the other hand, in these special cases, the manufacture for export will receive no encouragement under the new scheme. The same principle applies to the bounties on steel, of which more presently, which are not to be paid on this commodity when produced for export. Canada is not to be made a basis from

which the United States Steel Corporation, by establishing Canadian branches, may secure favourable entry for its goods into markets which are more freely open to Canadian goods than to like goods from the United States.

Turning to the question of the level of the rates of the new tariff, space will not admit of any lengthened analysis in this letter. Some guidance in judging of the effects of the changes may be gained from a few tentative comparisons. The three most important groups of articles, so far as British trade is concerned, are woollens, cottons, and iron and steel. Consider first the woollen schedule. Here, as will be remembered, a change was made in 1904, by which the preferential duty on certain classes of woollen goods was made 30 per cent., less than the general duty by only 5 per cent., or one-seventh in place of the usual one-third. The new tariff maintains this arrangement, and even extends it to embrace some goods formerly tariffed separately and lower, by the simple process of omitting the specific mention of these additional goods. Seventy per cent. in value of the "wool and woollens" imported in the last complete fiscal year fell under this classification. The net result is to increase slightly both general and preferential duties, though the former in so small a degree as to be negligible. The increases in preferential rates are somewhat greater than the decreases, though, on the entire mass of woollens, the net increase is only about one-tenth of 1 per cent. of the value of the goods.

Turning to cottons, we find that the goods affected by decreased preferential rates represented less than 8 per cent. of the imports of cottons from Great Britain in 1905-6. The goods with unchanged preferential rates were between 11 and 12 per cent. of the total. Thus the preferential rates are raised, whether by little or by much, on over 80 per cent. of the goods, judging by the standard of last year. The aggregate net increase is about 1 per cent. of the value of the goods, which shows that the changes are mainly those due to introducing the $2\frac{1}{2}$ per cent. step system. It is to be observed, however, that the rates of the general tariff are reduced, and by an average amount of about $1\frac{1}{4}$ per cent. Thus the difference, constituting the preference, which was formerly about 10 per cent. of the value of the goods, is reduced by more than one-fifth of its amount.

In iron and steel goods the changes made are more favourable to British trade. Reference has already been made to cases where, with small duties retained or imposed in the general tariff,

the preferential tariff shows no duty. When we sum up the results, the few cases of increased preferential rates are considerably outweighed by the more numerous cases of decrease. At the same time the general tariff rates average a little more than under the tariff of 1896. The result is that a preferential difference of a little over 6 per cent. of the value of the goods is replaced by one of over 8 per cent., or an increase in the advantage open to British traders in the proportion of 3 to 4. The actual advantage may be greater than this, since the differences in excess of the average are those which, if any, are likely to become operative in affording openings for transfer of business from the United States to Great Britain.¹

The rearrangement of the tariff rates is not intended to expose Canadian manufacturers of iron and steel to severer competition, but to offer an opportunity for diverting to the home country some of the trade which now goes elsewhere. The home manufacturer receives special consideration in a revision of the bounties, which were on the point of expiring. In place of disappearing at the end of June next, they are to be continued till the end of 1910, and for this year and next to be set at a level substantially higher than that which was reached last year. Further, the use of Canadian ore is favoured by making the difference between the bounties, on iron from Canadian and imported ore, one dollar per ton of 2,000lb., or about 4s. 7½d. per English ton.

Three other points must be noted in the revised tariff. One relates to the conditions under which goods qualify for preferential tariff rates. The proportion of their value due to British labour must be 25 per cent. at least, and this 25 per cent. is to be henceforth clear of either manufacturers' or merchants' profit. The second relates to the special provisions against dumping. This special duty was, except in a few cases, limited to one-half the regular customs duty on the article. The limit is now made in all cases, as in the special cases referred to, 15 per cent. of the value. The third point relates to the provision for meeting combinations of manufacturers to unduly exalt prices. The regular procedure in such a case has been that a special inquiry was held to determine whether the combination really existed and worked the injurious result deprecated. An alternative method of establishing the facts is now found wher-

¹ Further changes in the rates, made during the discussion of the Tariff in the House of Commons, have tended to increase the preference on iron and steel goods somewhat beyond the amount indicated in the figures given.

ever the case has been adjudicated upon by the ordinary courts of law. In such a case no delay for a new and special inquiry will be necessary in the future.

Some special attention has been given to one other important change in the tariff rates, affecting the differential between the rates on raw and on refined sugar. The opinion was expressed by the Finance Minister that the sugar refiners have been securing a larger advantage than had been intended. Since the introduction of the surtax on German goods the imported raw sugars have become almost exclusively West Indian (including Guiana under this designation for convenience). The new tariff leaves the duties on refined sugar unchanged, but increases the duty on raw sugar by $7\frac{1}{2}$ cents per hundred pounds if from British sources, and by 12 cents if foreign. For sugar at 96 degrees the new rates are 55 and $83\frac{1}{2}$ cents per hundred pounds for British and foreign sugars respectively. The rates on refined at the same polariscope standard are, as before, 80 cents and \$1.20 respectively. The new rates should give British raw sugar a greater advantage than ever, and either make it easier to import British refined or prevent the Canadian refiners from transferring the addition to the duty to the consumers of sugar.

This letter has already reached an inordinate length, so that other topics must be postponed.

A. W. FLUX

Montreal, Feb. 7th, 1907.

P.S.—Of the changes in the original draft of the new tariff, which were effected during the passage of the Tariff Bill through the House, it is hardly necessary to write at length, especially in view of the fact that British interest in matters Canadian has been recently diverted to what was passing at the Colonial Conference. It may, however, be worth while noting one fact. An attempt was made to amend the Government proposals by confining preferential treatment to imports made directly to Canadian ports, refusing it to imports *via* United States ports. Though this condition for preferential treatment is not to be imposed at present, power has been given to the Governor in Council to impose it when the conditions appear favourable. Ministerial declarations were to the effect that until the new transcontinental railway is built, such a measure would be inadvisable. The attempt and its results are indicative of strong currents of opinion in the Dominion.

A. W. F.

May 1st, 1907.

COMMANDITE IN FRANCE.

It is an undoubted fact that the form of commercial association known under the name of *commandite* and so flourishing in France half a century ago is decidedly on the decline. Let us inquire into the causes of this revulsion of mercantile opinion.

According to French law the *société en commandite* (limited partnership) necessarily comprises two classes of partners: (1) one or several partners called general or managing partners (*commandité* or *gérants*) severally and jointly liable for the whole debts of the society; (2) one or several partners called special or dormant or investing partners (*commanditaires*), who are not liable beyond the amount of their shares (art. 23 of the *Code de commerce*). The limited partnership's transactions take place under a firm including only the names of the general partners followed by the words "and Co." For example--Dubois and Co.

The general rule is that the management of the society exclusively belongs to the general partners. Still, it can be trusted to only one or several of these, or even to a stranger, but never to a dormant or investing partner, who is strictly prohibited to act in a similar capacity (art. 28 of the *Code de commerce*). It is feared that the public might be deceived by apparent managers being put in evidence as responsible to any extent whilst really only liable to the amount of their shares. This prohibition enforced by the article 28 of the *Code de commerce*, amended by the Act of May 6th, 1863, enacts that the investing partner interfering in the management of the society is to be held, jointly with the managing partners, liable for all the debts resulting from all the acts he has performed. Should these acts happen to be repeated and important, he may be declared liable for all debts indiscriminately. Notwithstanding these restrictions, the investing partner is allowed to give advice and to verify the dealings of his partners.

Besides these general rules, some special rules are laid down for every particular class of limited partnership, such as the *Société en commandite simple* and the *Société en commandite par actions*: the shares of the former are untransferable, whilst the shares of the latter or joint-stock commandites may be sold on the market.

The *commandite simple* is now only in use for rather small concerns, as the division of the capital into joint parts of property

of undetermined value is considered hardly consistent with the practical requirements of a trade of any importance.

The joint-stock limited co-partnership (*Société en commandite par actions*, Acts of July 24th, 1867, and August 1st, 1893) is far more in favour. Before entering into activity the joint-stock limited co-partnership must be registered by the *juge de paix* and the *tribunal de commerce*. Its statutes must be published in newspapers officially appointed for legal advertisements. It is subject to the following rules :—(1) The whole amount of capital must be subscribed. The lowest admitted amount of the shares is 100 francs for the societies whose capital exceeds 200,000 francs, and 25 francs for societies whose capital is less than 200,000 francs. (2) Each stockholder is bound, previous to the legal formation of the society, to pay down one-fourth of his subscription if the nominal amount of each share exceeds or is equal to 100 francs, or the whole if the nominal value be 25 francs (with the exception that in certain co-operative societies called societies with variable stock—*sociétés à capital variable*—the tenth part only is to be paid immediately). (3) Both subscription and payment are to be certified by an affidavit of the managing partners. (4) The shares granted in representation of property or of patents are to be appraised and valued by special commissioners, and the valuation approved by the assembly of the stockholders.

A board of overseers—three at least—is to be elected by the assembly of the stockholders. This board examines the account-books, the cash-box, and the assets. Every year it reports to the assembly of the stockholders on the management of the society it supervises. This management is committed to the managing partners, who can only be dismissed for serious misdemeanour to be eventually submitted to law courts. A general assembly of shareholders is held annually to approve the accounts. The statutes may be amended by the assembly, but the fundamental principles must be maintained.

The joint-stock limited partnership comes to an end either by the expiration of the agreed time, the achievement of the business it intended to perform, or a vote of the general assembly of the shareholders. As a rule (but this rule is usually set aside by a special clause of the statutes) the partnership is dissolved by the death, the bankruptcy, or the interdiction of one of the managing partners.

Until the Act of June 23rd, 1863, when for the first time joint-stock companies were allowed to be created without any

licence of the Government, limited partnership on the basis of *commandite* was prevalent on a large scale in the high and middle classes of trade and manufactures. It offered both to the inventor or founder of a new branch of business and to the capitalist the best opportunities they could wish: the former found the money he wanted to make the best of his invention or business which he was left at liberty to manage according to his own views; the latter took an interest in a promising undertaking, without being liable beyond the amount of his share.

During the *Restoration* (1815-1830) and the reign of Louis Philippe (1830-1848) nearly all our great financial, commercial, and industrial enterprises were founded on the basis of the *commandite par actions*. By that time the only existing legislation on *commandites* (*Code de commerce*, art. 23-28) conferred on the managing partners an almost unbounded liberty to act as they chose, free from any legal restraints whatever. These facilities brought on—especially about 1840—headlong speculations, booms, and finally financial crashes. There was a general outcry for legal protection of the public, protection which was at length granted by the Act of July 17th, 1856, creating in every limited joint-stock partnership a board of overseers, and prohibiting the sale and transfer of shares before the entire payment of their amount. But this last clause was criticised as too severe and subsequently repealed.

Since the Act of May 6th, 1863, which has allowed the foundation of joint-stock companies (*sociétés anonymes*) without any previous authorisation of the State, and still more since the Act of July 24th, 1867, which is emphatically the code of limited companies in France, the *commandite* is no longer the object of the public predilection. Most French investors are now prone to look for their safeguard less to the personal credit of a managing partner than to the ascertained value of an undertaking supported by financial and technical authorities. They generally fear to be deceived by managing partners who, under the cover of an often merely nominal supervision by overseers, are entitled to govern the business at their own will. On the contrary, in the *société anonyme* the board of trustees has the right not only to supervise, but also to nominate or to dismiss the director, and to act as the real executive power of the company. The fear of possible misuses by the managers of commercial companies is so strong that there is now introduced a Bill to extend the legal requirements enacted for joint-stock companies.

Although *commandite* still retains a good deal of importance in small and middle trade, it is now scantily used for large trading or manufacturing concerns, and, if used at all, it is only during the initial period, or as long as the still living founder wants to keep the management in his own hands. When he dies or retires, the formerly existing partnership is generally transformed into an ordinary joint-stock company.

ET. MARTIN SAINT-LÉON

"POLISH LABOUR" IN THE SCOTTISH MINES.

FROM THE MINER'S POINT OF VIEW.

A MATTER that has caused considerable friction amongst the miners of Scotland during the last few years is the employment of "Polish labour" in the Scottish mines. Fifteen years ago there were few, if any, of these people engaged in the mining industry; whilst to-day those employed can be numbered by the thousand. The majority of these have no knowledge of either English or mining. Several mining firms have tried to overcome the language difficulty by having the "Mines Act" and other rules applicable to mining printed in the language of the alien. This, however, made no difference, because only a very small percentage of them could read the language they were able to converse in. Time will, of course, change this; but it will be long before many of the aliens' children, who are at present attending school, and through whom this change will be effected, start to work. Meantime, the employment of aliens is a considerable source of danger to the other mine-workers.

The employers may have made an honest attempt to get over the language difficulty; but I am afraid that their efforts to surmount another difficulty which the "Mines Act," if properly carried out, places in their way, is not so creditable. I refer to that section of the Act which stipulates that no one shall work in a place alone as a coal-getter until he has worked for two years under the supervision of a skilled workman.¹ This is the only provision that is made, so far as the serving of a term of apprenticeship in the mine is concerned. In addition to this rule, the men have made a sort of voluntary attempt to regulate the number and limit the produce of persons enter-

¹ Mines Act, 1886, section 49, rule 39.

ing the mine. Difficulty has always been experienced in enforcing this rule when grown men entered the mine, and started to work without any previous experience. The idea of the framers in both instances was to prevent accidents through ignorance. But a number of mine-owners, or, at any rate, their agents, have tried to get over this difficulty by employing two workmen who have not served their apprenticeship to work together. In most cases where this has occurred the men concerned have been foreigners. The attention of His Majesty's Inspector of Mines was drawn to this breach, and when he approached the colliery authorities with the view of having the matter remedied, they did not attempt to deny that the practice had been resorted to. On the contrary, some of them pointed out in extenuation that whilst the "Mines Act" says that an unskilled workman cannot work alone, nevertheless it does not say that two unskilled workmen may not work alone. It is clear to me that in so doing they were guilty of a breach of the spirit, if not of the letter, of the Act. I anticipate, however, that this matter will be remedied by the recently appointed Royal Commission on Mines.

A point that has been much discussed in mining circles in connection with this matter is whether the alien or the Briton is the better miner. I am a British miner myself and may be prejudiced, but my own experience certainly is that the Briton is by far the better workman. Indeed, one mine agent of my acquaintance, when spoken to about giving undue preference to foreigners, had the candour to admit that there was no use putting them into bad places because they would not be able to work them. Hence the native miners have to work the worst places. The truth of this criticism is borne out by others whose experience is more varied than my own. It is but a short time since the miners of a certain Scottish colliery wanted an increase on their rate. They alleged that with the existing rate they were unable to earn the standard wage. When the agent of the colliery was approached by a deputation of the men about the matter he pointed out that a large number of those employed in the mine were foreigners, and he stated that they were not able to earn the same wage, given the same rate, as the British miner.

The foreigners are accused, and very rightly too, of indulging in a very bad habit of bribing petty and other mine officials in order to buy favour. In justice to them I should say that they did not inaugurate this practice, because, prior to their coming, the very same thing was done by native workmen, who

were and are still known as mining contractors. It is said that these contractors sometimes earn money very easily, but they are expected to give presents to the mine officials in return. This evil is, I believe, less rampant to-day than it was a few years ago. And it is this pernicious practice, formerly carried on by a few, which the foreigners are now employing in a more wholesale fashion.

It is a common observation for the miner to make in conversation that the foreigner has been the cause of reducing his wage. This to a great extent is true, because the vast majority of the Poles who have come to Scotland have drifted into the mining industry. The problem of the distribution of labour, which the working miner has, as a rule, had little time or desire to consider, is being forced more and more upon his notice. But whilst knowing very little about the theory he can generally explain very clearly that he has to produce more now than he had formerly to do, and that his increased produce only enables him to earn the same as before. And thus in his own way he tells how the fresh labour coming into the country is not being properly distributed. This is a very important though much neglected aspect of the Polish labour question.

What I have here stated is, I believe, a fairly accurate account, from the miner's point of view, of the advent of the foreigner into the Scottish mines. In passing I have tried to give some idea of the alien's characteristics as they have appeared to me; and in concluding I have just hinted at the economic effect that his coming has had upon the mining community of Scotland.

FRANCIS McLAUCHLAN

THE INCIDENCE OF IMPORT DUTIES.

IN the course of a review of my book on "Protective and Preferential Tariffs" in the March number of the *ECONOMIC JOURNAL*, Mr. Bickerdike raises an interesting theoretical point. In the book the following thesis was maintained. It was postulated that a given revenue had to be collected in respect of some commodity that was both imported and produced at home. Two alternative plans of raising the revenue were suggested—first, a customs duty alone; secondly, a customs duty accompanied by a corresponding excise duty upon home production. Apart from

the divergent influence of these plans upon distribution, a comparison between them involved two elements, (a) the direct gain and loss in respect of the taxed commodity itself, and (b) the indirect gain and loss in respect of other commodities. Under both these heads I argued—and up to this point Mr. Bickerdike agrees with me—that *some* effect would be produced alike by plan (1) and plan (2). But—my argument continued—the effect under head (a) is “the chief element that has to be considered.”¹ That under head (b) involves quantities of a lower order of magnitude, and is, therefore, in general, outweighed.² This proposition the reviewer does not accept. “Mr. Pigou,” he writes, “seems to minimise unduly the indirect effect.”³

I do not propose to follow Mr. Bickerdike's reasoning in detail. A part of it seems to be directed, not so much to rebut my conclusions as to support conclusions on a different point which he has himself advanced elsewhere. I will only observe that the mathematical expression for the net advantage of trade, upon which he relies, implicitly assumes that a *supply curve* can be treated as equivalent to a *particular expenses curve*. This, as Professor Marshall has pointed out, is not legitimate in general, though it may be in certain special cases.⁴

I am anxious, however, to argue positively rather than critically. Mr. Bickerdike's paper has suggested to me that the method of approximation employed in my book is more questionable than I had supposed, and demands more careful investigation. This I shall now attempt to supply. A starting-point is furnished by the accepted doctrine of consumers' surplus. If the cost of producing an article of home manufacture is augmented, the amount of that article consumed in the country is altered, and, as an indirect consequence, the amount of many other articles consumed is in general altered also. Provided, however, that the demand or supply of the taxed article is not correlated with that of other things, and that the expenditure diverted from it to other things by the tax is small relatively to the aggregate expenditure of the purchasers, the effect in respect of these other things is of the second order of small quantities, and may, therefore, be neglected. The alteration caused in the marginal utility of money may also be neglected. Hence the total effect of the change is approximately equal to its effect on the money measure of the consumers' and producers' surplus

¹ “Protective and Preferential Tariffs,” p. 25.

² *Ib.* p. 30.

³ *Economic Journal*, March 1907, p. 99.

⁴ “Principles of Economics,” p. 521, n.

yielded by the taxed commodity itself. Furthermore, unless that commodity is one in the production of which land plays a considerable part, the effect on producers' surplus may be left out of account. These general propositions are not, I imagine, any longer open to serious dispute. If a formal proof is required, Signor Barone's articles in the "*Giornale degli economisti*" for September and November 1894 or Mr. Sanger's summary of them in the *ECONOMIC JOURNAL* of March 1895 may be cited.

The situation is, however, essentially different when the commodity whose conditions of supply have altered is obtained by importation from abroad. The various commodities that foreign countries send to us are correlated on the side of supply. Foreigners require our exports, and, to obtain them, send to us several sorts of imports. If it becomes less advantageous to them to send one sort, they may divert the main part of the energies set loose from that sort to making and sending other sorts.

These preliminary generalities in themselves present no difficulty. I proceed at once, therefore, to apply them to the particular problem in hand, that, namely, of determining the relative importance of the direct and the indirect effects produced by an import duty. I am not concerned with purely hypothetical cases. Of course, if a country's imports consist of two sorts of things only in about equal amounts, the indirect effects in respect of the other, due to the imposition of a tax on the one, are in general far from negligible. They are in almost all cases exceedingly important. Actual countries, however, import not two sorts, but many sorts, of commodities. The significant question is how far and under what conditions this multiplicity relieves us of the need of investigating indirect effects.

If, after the change, the aggregate amount of foreign resources that are employed in the manufacture of goods for exchange with England is unaltered, it is evident that the resources devoted to making the exports that are not subjected to taxation will be increased by an amount equal to that by which those devoted to the taxed export are diminished. If the foreign resources employed for exchange are diminished on the whole, those devoted to the non-taxed exports are increased by an amount less than that by which those devoted to the taxed export are diminished. If, finally, the foreign resources employed for exchange are increased on the whole, the opposite result comes about.

For the realisation of the last of these three cases, it is necessary that the foreign demand for English exports in

général should have an elasticity less than unity. As a matter of fact, however, since there are rival sources of supply in respect of nearly all our products, the foreign demand for our goods, so far from being inelastic in this way, is in the main exceedingly elastic. It is practically certain that to make it more difficult for foreigners to obtain our goods would cause them to devote less, and not more, of their resources to the purchase of them.

Hence, in practice, the imposition of a tax upon one sort of import would cause the foreign resources devoted to making other imports for England to increase by a smaller amount than that by which those devoted to making the taxed import diminished.

Under these circumstances, if there are n imports, the conditions of demand for which in England and production of which abroad are respectively similar, England's consumption of the taxed import is likely in general to be diminished not less than $(n-1)$ times as much as her consumption of each of the others is increased.¹ Suppose that the decrease of consumption in the one case is equal to y , and the increase in each of the other cases to $\frac{y}{n-1}$ units. It is easily shown that the loss of consumers' surplus due to the decrease of the one commodity approximates to $\frac{1}{2}y^2K$, while the increase in respect of each of the other imports approximates to $\frac{1}{2}\left(\frac{y}{n-1}\right)^2K$. Hence, the decrease exceeds the aggregate increase in respect of all untaxed imports together in the proportion of $(n-1)$ to 1. If, therefore, n is large, the latter may be neglected in comparison with the former.

The two assumptions upon which this conclusion depends should be carefully noted. First, it is assumed that the conditions of production abroad of England's n imports are similar. If the production of the taxed import is much less elastic than

¹ This matter may be expressed more clearly in mathematical language.

Let $w_1, w_2 \dots$ units of foreign resources, be devoted to making each of n imports for England: and let $w_1, w_2 \dots$ be all equal.

Let the number of units of each commodity that result from these resources be $fw_1, fw_2 \dots$, again all equal.

When a tax is imposed on the importation of goods made from w_1 , w_1 becomes $w_1 - \Delta w_a$: and w_2 and each of the other w 's increase by Δw_b .

Then the taxed import falls in quantity from fw_1 to $f(w_1 - \Delta w_a)$, and each of the other imports increases from fw_1 to $f(w_1 + \Delta w_b)$.

Therefore, the decrease in the taxed import stands to the increase in each of the others in the ratio of Δw_a to Δw_b (approximately).

But *ex hypothesi* $\Delta w_a > (n-1) \Delta w_b$.

\therefore the decrease in the taxed product is more than $(n-1)$ times the increase in each of the others.

that of the other imports, a given quantity of foreign work diverted to the manufacture of these imports will increase their quantity much more than it decreases the quantity of the import from whose manufacture it is withdrawn. In this case the effect on consumer's surplus in respect of the untaxed imports will be much more than $\frac{1}{n-1}$ th part of that in respect of the taxed import, and cannot legitimately be neglected.

Secondly, it is assumed that the conditions of demand in England for the n imports are similar. If the demand for the taxed import is much more elastic than that for the other imports, a given charge in amount consumed will alter consumer's surplus much less than an equal change in respect of one of the other imports. In this case also the effect on consumer's surplus in respect of the untaxed imports will be much more than $\frac{1}{n-1}$ th part of that in respect of the taxed import, and cannot legitimately be neglected.

The latter of these two qualifications seems at first sight to be of great practical significance in a problem which centres about an import tax on a commodity which is also produced at home; for the demand for imports of such a commodity will in general be more elastic than that for other imports. This consideration would carry much weight in a country where only one imported commodity was also produced at home. In real life, however, the multiplicity of such imports can be shown, on the line of reasoning pursued throughout this paper, to reduce it to insignificance.

• We are thus left with the general proposition, applicable to revenue and protective duties alike, that, apart from exceptional inelasticity of production or exceptional elasticity of demand, the indirect effects which a tax upon one import produces upon the consumer's surplus derived from other imports is negligible in comparison with its effect upon the consumer's surplus derived from the taxed import itself.

In the special case in which the taxed import to England obeys the law of constant return,¹ this proposition leads immediately to the conclusion that the indirect effects in respect of the untaxed imports are negligible relatively to the effect in respect of the taxed import itself. For, in this case, the only effect in

¹ It should be noticed that the supply curve of the taxed import can only be drawn as a simple price-amount function on condition that the prices of the other imports are temporarily taken as constants.

respect of the latter import is just the diminution of consumers' surplus.

If, however, the taxed import obeys the law of increasing or diminishing return, the total effect in respect of that import involves, besides a loss of consumers' surplus on the consumption that is destroyed, a further effect on the consumption that is maintained. Those who buy the import have to pay, in the one case something beyond, in the other case something below, the sum that the Treasury receives. In the case of increasing return, the payment is additional. Therefore, the total effect in respect of the taxed commodity is greater than the effect on the consumers' surplus yielded by it. It has already been shown, however, that the indirect effects in respect of other commodities can be ignored relatively to this latter effect. Hence, *a fortiori*, they can be ignored relatively to the total effect in respect of the taxed commodity.

In the case of diminishing return, however, those who maintain their consumption *escape* a payment. The total effect in respect of the taxed commodity is, therefore, equal to the difference between the advantage which accrues to them and the loss of consumers' surplus. If the supply is highly inelastic, this difference is almost certain to be greater than the loss of surplus: if the supply is highly elastic, it is not likely to fall short of it by more than a small amount. In certain intermediate cases, however, with a tax of appropriate magnitude, the difference will be much smaller than the effect on surplus: in the limit, of course, it becomes equal to zero. In these cases the indirect effects in respect of the untaxed imports are not negligible relatively to the total effect in respect of the taxed import.

Hence, it is true that cases can be found to which the method of approximation suggested in my book would not be appropriate. That qualification ought to have been set down. The method is valid, not universally, but generally. It *generally* yields an adequate measure of the effects of a small customs duty upon a single import. Hence it is *generally* legitimate to make use of it in comparing the effect of such a duty with those of a customs plus excise duty designed to yield the same revenue.

A. C. PIGOU

RECENT OFFICIAL PAPERS.

Report on the Trade in Imports and Exports at Irish Ports during the Year 1904. [C^d. 3237.] 1906.

THE task of ascertaining the amount of the external trade of Ireland is beset with serious difficulties. Since the establishment of complete free trade with Great Britain the records of the cross-Channel trade were no longer needed; but as both the exports of Irish goods to foreign countries and the foreign products used in Ireland passed largely through English ports, it became impossible to give the usual official statements that can be furnished for any separate customs area. Various attempts at estimating the Irish imports and exports were made, the most important being that presented to the Financial Relations Commission by Sir R. Giffen, which put the figures for 1893 at £20,054,000 for imports, £25,571,000 for exports, a total of nearly £45,630,000. Those who had carefully studied the economic conditions of the country regarded this estimate as much too moderate. It, however, was used by Lord Welby and his co-signatories in their comparison with Belgium, which had a foreign trade of £117,000,000 (*Final Report*, p. 49), and it assisted in the calculation of the relative taxable capacity of Ireland (*ib.* p. 39). The present Report, which is the work of the statistical branch of the Department of Agriculture and Technical Instruction, and is the result of careful and prolonged inquiries, yields a strikingly different result. The imports for 1904 are estimated as reaching at least £55,148,206; while the exports are £46,606,432. To these totals it is said that £3,000,000 may perhaps be added, bringing the total external trade to £105,000,000. Thus the imports (assuming that there is no decided difference between 1893 and 1904) exceed Sir R. Giffen's estimate by 175 per cent., and the exports show an excess of 80 per cent. Equally remarkable is the difference in the relation between the two sides of the trade account. The estimate for 1893 shows an excess of exports of £5,520,000; that of the present Report brings out an excess of imports of £8,541,774. It is highly probable that the belief in a large absentee drain influenced the compilation of Sir R. Giffen's statement. The later figures suggest a reconsideration of the accepted views as to the credit relations of Ireland with the outside world. Remittances from Irish emigrants and investments by Irish people outside their own country are probably larger, the payments to absentees smaller, than is usually believed. It may also be that further

inquiries over a series of years will yield different results. Mr. Adams, to whose care and skill the Report owes much, points out that the real balance of trade cannot as yet be stated with certainty. He also explains that the relation between the external and the home trade of a country is not fixed. He holds that it is "certain that in proportion to its total production the import and export trade of Ireland is high" (p. 16), but that this in itself is no evidence of prosperity or the reverse.

The detailed tables are full of instructive facts as to the character and extent of Irish production and consumption. The insignificant export of ale and import of porter, and the large import and export of those articles respectively, is an example. Perhaps in succeeding issues of this Report the re-exports may receive separate treatment. In this issue Ireland appears as an exporter of cocoa (18,794lb.), coffee (10,528lb.), raw cotton (412,040cwt.), and tea (281,456lb.). A first attempt at a statistical inquiry of a kind new in its practical methods could hardly meet all such complications.

C. F. BASTABLE

Alcoholic Beverages, 1905—House of Commons (1906), 401.

THIS is the sixth number of a series showing the production, export or import, and consumption per head of wine, beer, and spirits for the United Kingdom, the self-governing Colonies, and foreign countries. France takes the lead in the production of wine, Germany in that of beer, Russia in that of spirits. The consumption per head does not follow the same order.

THE INDIAN EXCISE COMMITTEE OF 1905-1906. [C^d. 3327.]

THE Report of the Indian Excise Committee is well worth perusal by all who take an interest in the regulation of the trade in spirits and other harmful commodities.

The Report describes the various systems of excise existing in British India, and criticises them in detail. The "outstill" system is that under which the right of manufacture and sale of spirits at a specified shop or set of shops is sold by auction, and little or no further control is exercised by Government. This is an obviously bad system, for there is no check on the quality or quantity of the sales. The areas under the "outstill" system are, however, being rapidly reduced, and it will shortly be con-

fined to those backward and undeveloped tracts where close supervision is impossible.

Under the "Sadar Distillery" system individual distillers are allowed to manufacture spirits within a Government building; the spirits so made are brought up to definite standards of strength under official supervision, and the distillers are then allowed to issue it to licensed vendors on payment of a fixed duty per gallon. The committee maintain that manufacture by small and ignorant distillers is wasteful, that the quality of the spirit so produced is poor, and that opportunities for fraud are numerous.

The "Contract Supply" system of Madras, as worked there since 1901, has now been adopted as a model for reform in Bengal and the Central Provinces. Under this system the monopoly of supply in a district or other selected area is given out on contract, the contractor issuing his spirit at the rate of excise duty in force, and supplying vendors at a fixed rate, determined by tender over and above this duty, while the right of vend is generally disposed of by auction for each shop sanctioned.

In seeking for an ideal system of excise for India it must be remembered that the size and geographical conditions of the country and the undeveloped condition of society render impossible that strict supervision which may be expected in England. The development of illicit distillation is an ever-present danger, and on this account the price of spirits must not be allowed to rise to a height which will encourage such practices.

A modified form of the English system of free supply was tried in Madras, and with still greater modifications in the Punjab, but it was found in both cases that combinations were formed amongst the distillers, and that the price of spirits was thereby raised to an undesirable height. With a view to obtaining a supply of good spirits at a reasonable price the committee recommend the adoption of the Madras system of "Contract Supply." Another point of much importance discussed in this report is the question of retail licenses. Up to the present the usual plan has been to auction each shop annually. The greater part of the surplus profits of the business are probably secured to Government under this scheme, but it has many disadvantages. The excitement of auctions is apt to produce excessive bids, and subsequent disorganisation of the trade. The speculative character of the investment deters those respectable men whose presence it is most desirable to secure. The committee advocate the abolition of the system, and suggest a plan

under which the issues to each shop for a series of years should be ascertained and the average incidence per gallon of the license fees worked out; if a considerable portion of it is common to the whole district that portion should be added to the duty; the remainder would vary with the conditions of the shops, such as their situation, &c.; the shops should be grouped with reference to these conditions, and a rate of surcharge per gallon based on the incidence of the license fees should be worked out for each group. In the annual revision of settlements consumption would be the only guide to an increase of taxation; a general rise would indicate a need for increase of duty, whilst a rise at any particular shop could be met by an increase in the surcharge for that shop. In this way license fees would be reduced to their proper position as a minor item in excise receipts.

The committee say little as to any increase in consumption of spirits in India during past years, but the present consumption is extremely small. According to the Financial Member of Council the average consumption of spirits in "distillery" areas was 4.06 gallons per 100. A consumption of five gallons L.P. per hundred of the population means that every woman and child would be a total abstainer, and that every adult male over the age of twenty would be able to have a small glass of whisky once in three weeks.

D. A. B.

The Bulletin of the Bureau of Labour, Washington.

THE March number continues the record of wholesale prices. The average price-level, based on 258 commodities for 1906, was 5.6 per cent. higher than for 1905; 22.4 per cent. higher than the average for the decade 1890-99.

Statistical Record of the Progress of the United States, 1906.
(Bureau of Statistics, Washington.)

A COMPILATION of figures, all showing continuous growth except for *area* and *debt*, and certain *ratios*, e.g., the percentage of imports into the United States from Europe. [For the last twenty-five years the medium of the percentages is 53.35, the extremes 45.05 and 57.14, the probable deviation about 2.]

Bulletin No. 69 of the United States Census Bureau.

A REPORT on child labour, which prevails most in the Southern States.

OBITUARY.

JOHN KELLS INGRAM.

ALMOST all the Muses might weep for the many-gifted Ingram. Of the various talents which he combined, the poetic faculty most excites our admiration. The patriotic song which he dashed off in the heat of youth deserves its world-wide celebrity; and of his maturer thoughts on philosophy and religion, those appear most precious which are expressed in the forms of poetry. Classical verse composition and literary taste in all its manifestations were fostered by his example and teaching at Trinity College, Dublin. He occupied with equal distinction the Chair of English Literature and the Chair of Greek successively, in the course of a long academic career. His brilliant services to the College lasted from 1846, when he was elected Fellow at the early age of twenty-three, on to, and for a year or two after, 1898, when he became Vice-Provost. When he had resigned academic work, he continued, with freed energy, to indite and write. The golden volume of his Sonnets was issued in 1900. There were other displays of his literary power before the end, which came last May.

The efficacy of literary form to enhance the value of knowledge is conspicuous in Ingram's economic writings. It is not surprising that his *History of Political Economy* should have been translated into the principal languages of the civilised world—nine, if we remember rightly, including Japanese. The history first appeared as an article—on Political Economy—in the ninth edition of the *Encyclopædia Britannica*. There have been incorporated into the history, or should be read along with it, several articles on eminent economists—Adam Smith, Ricardo, and others. Exception may be taken, we think, to many of the judgments passed on men and methods; for instance, when it is said with reference to Ricardo's doctrines, "it may well be doubted whether it is not better to discard them altogether, and begin, as we end, with an historical method." But even those who resent this vein of scepticism derive profit and pleasure from the narrative; as Churchmen have admired the lucidity of Gibbon's chapters on the history of doctrine.

Those who denounce the inordinate use of deduction in economics are commonly open to the imputation of condemning "sins they have no mind to." But Ingram delighted in the exercise of pure reasoning. Like many among the mighty ones of old at Trinity College, Dublin—like Graves and Salmon and Rowan

Hamilton—he combined pursuits elsewhere almost irreconcilable, literature and the higher mathematics. Salmon, in his *Higher Plane Curves*,¹ makes honourable mention of Ingram's contributions to that branch of mathematics. The great Macculagh is said to have grudged Ingram to letters. The still greater Hamilton, as appears in his published correspondence, used to submit his mathematical thoughts to Ingram. One of Ingram's surviving colleagues recollects his having said, "Nothing has ever been to me such a source of intellectual pleasure as pure geometry."

Such being his scientific tastes and talents, it is remarkable that Ingram should have belittled the use of mathematics in economic reasoning. A sweeping condemnation of that method is contained in his remarks on Cournot and Jevons. Nor is it meant as a compliment to Ricardo when he says, "Nature intended him rather for a mathematician of the second order than for a social philosopher." The "abusive preponderance of deduction" is denounced with equal severity in the forcible address which Ingram delivered to the Economic Section of the British Association in 1878.

The paradox of Ingram's hostility to the mathematical, and more generally the deductive, method in economics is explained by his devotion to the philosophy of Comte. Comte, who would not allow to physicists their hypothesis of ether, who regarded "the accepted notions of modern algebraists upon the measurements of probabilities" as more "hollow" and "absurd" than "the idlest discussions of mediæval schoolmen," consistently denounced abstract reasoning about human affairs as mere metaphysics. The view of Comte was naturally adopted by one who, in his deference to the founder of Positivism deserves to be considered as

"addictus jurare in verba magistri."

We may well describe the relation of Comte to his follower by the term "master," for Ingram himself repeatedly employs the word. We refer especially to the remarkable series of sonnets in which he celebrates the "Religion of Humanity." Whatever the intellectual influence of that faith, it certainly brought forth beautiful fruits of the spirit in the domestic life of Ingram.

His later years appear to have been devoted to the exposition of Comte's doctrines. Positivist homilies or paraphrases flowed from his pen in quick succession: *Outlines of the History of Religion* (1900), in which he first avowed his adhesion to Positivism; *Passages from the Letters of Auguste Comte* (1901);

¹ Pp. 240, 243, Cd. I.

But the fidelity with which Ingram followed in the steps of "the Master" did not again lead him into the slippery paths of economic controversy. Perhaps he recognised that censures deserved by the generations immediately following Adam Smith were not appropriate to the present era. He himself has expressed a sense of the change in his preface to Prof. Ely's *Introduction to Political Economy* (1891):—"A more humane and genial spirit has taken the place of the old dryness and hardness which once repelled so many of the best minds from the study of economics." He accepted a place on the Council of the British Economic Association, and did not rebel against the sort of *Pax Britannica* which its leading members have maintained with respect to controversies about economic method. All that was worth fighting for might seem to Ingram to have been won when in a treatise commanding the universal assent of the rising generation it was taught that there is no scope in economics for long chains of reasoning, that some of Ricardo's conclusions are liable to be dangerously misapplied, that the work which the Germans and their fellow-workers in other countries have done in tracing and explaining the history of economic institutions is one of the great achievements of our age.¹ To have presented the work of the Germans in an English form was one of Ingram's great achievements. His economic mission was accomplished. If not through him principally, yet not without aid from his eloquence, the world had been "wrought

To sympathy with fears and hopes it heeded not."

F. Y. E.

CITY NOTES.

WE have received the following notes from "R. G." :—

The Money Market.—At the time of last writing, just before March 1st, the money market was under the influence of the reduction of the Bank rate, and feeling some relief from the strain of 6 per cent. which had been required to carry the City through the winter. The trouble in the market, however, has proved very enduring, in spite of the continued reduction of the

¹ See *Principles of Economics*, ed. 4, pp. 70, 92, 101, et passim.

Bank rate, till finally 4 per cent. was reached on April 25th. At the very time reductions were being made, signs of stress and strain were visible. The Bank Reserve failed to increase at all rapidly, while accounts of shortness of cash and difficulties in obtaining credit continued to be received from Berlin, Paris, and New York—all the great centres, as well as London, appearing to suffer from serious *malaise*. This condition of things has been fully reflected on the Stock Exchanges everywhere. The aggregate fall in securities has made further progress, and amounts now to about £100,000,000 in the representative securities quoted monthly in the "Bankers' Magazine" since the beginning of the year, while it is even greater probably in the innumerable securities in America and on the Continent not appearing in that list. There is much gloom accordingly everywhere, in spite of the lower bank rates for the moment; and apparently some great change must occur before the money and stock markets will be really easy. Business remains active, and imports and exports continue to increase by leaps and bounds, but with the money market in its present condition there is a general feeling of discomfort throughout the business world.

A Rise in Wheat.—To add to the apprehensiveness of the hour, there has been a rather sharp rise last month in the price of wheat, consequent, it is alleged, on a remarkable shortage of crops throughout the wheat-growing area, to which the attention of speculators has been drawn as the close of the harvest year approaches. From the United States, from Russia, from Roumania, from Hungary, and other quarters, identical reports come. Almost the only exceptions to the accounts of shortage are our own country and Canada, where the total production, however, is as yet too small to affect the balance sensibly. The rise up to date has been about 5s. or 6s. per quarter, and the corresponding rise in the price of the 4lb. loaf not more than $\frac{1}{2}d.$; but the change is sufficient already to be felt somewhat by the working classes, and the general position is such that speculators confidently anticipate a further advance. *Absit omen*. Still, the world has been so long accustomed to cheap wheat and cheap bread as to make the first indications of a change to a different level deserving of the utmost attention. Wheat under 40s. remains at what everybody would have thought a low figure thirty and forty years ago, and the rise may be in part nominal only, corresponding to an advance in raw materials and wages

which is very general, as we have noticed from time to time in these notes, and may not be unconnected with the renewed phenomenon of a depreciation in gold; but whatever the causes or explanations, a rise in wheat has always a very special economic interest.

The Budget.—Mr. Asquith's statements and proposals, as we anticipated when last writing, have not been at all sensational as far as reductions of taxation are concerned, his surplus, though a sensible one, by no means permitting sensational changes in these days when a small difference of rate affects the yield of the taxes so much. It would be out of place in these notes to criticise the budget generally, with its preparation for a system of old age pensions, though no actual beginning of a scheme; its recognition of the income tax at a high rate as a permanent part of our tax system; its enormous—and as it is thought in the City, excessive—provision for the redemption of debt; and its extension of the limit up to which abatements of the income tax may be made to £2,000, with a special reduction from 1s. to 9d. on such incomes, the only sensible remission of taxation given by the budget. We may say, however, in these notes that the City as a whole fully endorses two opinions we have often expressed on budget matters—(1) The income tax ought not to be continued at a high rate in time of peace, even with the modification as to incomes under £2,000 to sweeten it. The use of the income tax as a financial reserve ought never to be lost sight of. Rather than continue a high income tax in time of peace, the whole tax system should be carefully revised. (2) The maintenance of the income tax at a high rate in order to redeem the debt is especially unwise. Income tax payers are the thrifty who invest in securities, and to tax them to enable the Government to buy up consols is merely to divert money from one channel of investment to another. As the result, the Government gains nothing, but probably rather loses in the price at which it can borrow, while the income tax payers—"the goose that lays the golden eggs"—are impoverished. The principle of debt reduction within moderate limits is, of course, a sound one, but in applying £15,000,000 in one year for that purpose with the income tax at 1s., Mr. Asquith seems to have gone beyond the limits of moderation. And yet consols do not rise!

R. G.

CURRENT TOPICS.

THE President of the Board of Trade has appointed a general committee to advise him upon the lines upon which the information required for the forthcoming census of production shall be obtained. Among the members of the committee are Lord Allerton, Lord Avebury, The Right Hon. Chas. Booth, Sir Hugh Bell, Mr. Henry Birchenough, Sir Robert Giffen, Professor Chapman, and Mr. Sidney Webb. Other committees are being appointed to consider the special requirements of particular trades.

A DEPUTATION waited upon the Prime Minister on March 5th to urge the necessity of a national anthropometric survey. Mr. R. C. Lehmann, in introducing the deputation, said that the sum required would be from £4,000 to £5,000. The Prime Minister, in his reply, stated that he could not go beyond the answer which was usual at such a stage of the proceedings: that the Government would give the proposal their careful consideration.

THE organisers of the "International Visits" which have now continued for five years have selected Norway for their operations this year. The object of the enterprise is to give people of different nationalities an opportunity of learning something of each other's life and customs. For this purpose visits are made to the most characteristic institutions of each country. At the same time, lectures are given in English on the chief features of the country, its history and Government. The lecturers are either themselves among the leaders of the different movements, or else, as teachers and officials, have practical acquaintance with the institutions which they explain. The visits are not "conducted tours." As the visitors come from all parts of Great Britain and Ireland, it is not convenient for them to travel by the same route. But, where possible, reductions on the ordinary fares are obtained. Reductions have also been secured at hotels which can be recommended in the neighbourhood of the lecture hall. The visit this year is arranged to extend from August 19th to August 30th. Further information may be obtained from the Honorary Secretary, Miss F. M. Butlin, Old Headington, Oxford.

THE British Association for the Advancement of Science meets this year at Leicester from July 31st to August 6th. Sectional presidents will deliver their addresses on the morning of August 1st. The officials of Section F (Economic Science and Statistics) are:—President: Prof. W. J. Ashley; Vice-Presidents: Dr. James Bonar and Prof. F. Y. Edgeworth; Secretaries: Prof. S. J. Chapman (Recorder), Mr. H. O. Meredith, Mr. D. H. Macgregor, and Mr. T. S. Taylor. The chief subjects for discussion will be the encouragement of agriculture, co-operation, trusts, Australian labour legislation, and German Colonial policy. On the last-named subject Prof. Ernst von Halle (Berlin) will read a paper. Agriculture is to be dealt with by the Right Hon. Jesse Collings, Sir Horace Plunkett, Mr. Yerburch, and Prof. Kirkaldy. Prof. Carver will also contribute a paper on the same day. The effect of Australian labour legislation is to be treated by the Hon. R. B. Wise and Mr. J. Ramsay Macdonald. The readers on co-operation will be Mr. Tweddell (vice-chairman of the Co-operative Wholesale Society), Mr. Amos Mann, and Mr. Fay, and on trusts Mr. Macrosty and Mr. Macgregor. One or two other papers, which have not yet been definitely fixed, will also figure in the programme.

RECENT PERIODICALS AND NEW BOOKS.

Journal of the Statistical Society.

- MARCH, 1907. *Correlation of the Weather and Crops.* R. H. HOOKER. The use of Mr. Yule's "coefficient of double correlation" brings out correlation of various crops with the weather in preceding seasons. *Statistics of Production and the Census of Production Act.* G. UDEN YULE. *On the Representation of Statistical Frequency by a Series.* F. Y. EDGEWORTH. *Prices of Commodities in 1906.* A. SAUERBECK. The total index number for forty-five commodities has risen from 72 in 1905 to 77 in 1906.

The Economic Review.

- APRIL, 1907. *First Impressions of India.* REV. J. CARTER. *Immigration and Transmigration.* N. B. DEARLE. *L'Abbé Rambaut.* ELISABETH RAIKES. *Unemployment.*—I. A. MERCER. *Infant Mortality.* L. A. McCracken.

The Nineteenth Century.

- MARCH, 1907. *What shall we do with our Land?* LADY SALTOUN.
MAY. *The Firmness of Consols.* H. WITHERS.

Fortnightly Review.

- APRIL, 1907. *The Rights and Wrongs of Socialism.* A. WAGNER. The *communis opinio doctorum* condemns the dialectic of Marx. "Defects, assumptions, sophisms, *petitiones principii* abound, more especially . . . in the theory of value and surplus-value . . . To me this entire doctrine is one great sophism." Yet Socialism has probed—while it has exaggerated—the wounds of the body politic. "Modern academic political economy in Germany occupies a mediatory position between economic Individualism and Socialism."
MAY. *The Income Tax.* BENJAMIN TAYLOR.

Contemporary Review.

- MARCH, 1907. *The Stock Exchange and the Public.* EDGAR CRAMMOND. Reforms in the constitution of the London Stock Exchange are suggested.

APRIL. *The Investments of the Masses.* JESSE QUAIL. There were nearly 700 millions of capital at the credit of wage-earners' accounts in 1904.

The National Review.

APRIL, 1907. *Time and the Contract.* J. L. GARVIN. A plea for preference.

Some Reflections on the Coming Conference. VISCOUNT MILNER. Preferential trade is incidentally advocated.

The Albany Review (with which is incorporated The Independent Review).

MARCH, 1907. *The Land Question in a Country Parish.* E. CARPENTER. The economic conditions of a particular parish are described in detail, with unfavourable reflections on the landed interest, and suggestions for reform.

APRIL. *Small Holdings and Land Taxation.* ERIK GIVSKOV.

Edinburgh Review.

APRIL, 1907. *Colonial Preferential Tariff.* The preference given by Canada and that offered by Australia, tested by statistics, are found nugatory.

The Quarterly Review.

APRIL, 1907. *The Income Tax.* B. TAYLOR.

The Quarterly Journal of Economics (Boston).

FEBRUARY, 1907. *The Taxation of Corporations in Massachusetts.* C. J. BULLOCK. A description of the law and its working is followed by a critical estimate of its results. • *Capital and Interest Once More.* • *A Relapse into the Productivity Theory.* E. BÖHM-BAWERK. *Constant and Variable Railroad Expenditures and the Distance Tariff.* M. O. LORENZ. *The Socialist Economics of Karl Marx and his Followers.*—II. T. VEHLER. *Labour Organisation and Labour Politics.* J. R. COMMONS.

Political Science Quarterly (New York).

The Alien Contract Labour Law. S. P. ORTH. *The Variability of Wages.* H. L. MOORE. *Inflation and Prices.* ERNEST HOWARD. *The Concentration of German Banking.* H. A. SCHUMACHER.

American Academy of Political and Social Science (Philadelphia).

JANUARY, 1907. This number consists almost entirely of a series of communications upon the important question of child labour and legislation. Some of the communications are by experts and students, and are of great interest. A vivid picture is given of the extent to which child labour still prevails in the United States, of the awakening of public sympathy, and of the obstacles opposed to reform. The first article deals mainly with the

obstacle of the parents' poverty, and shows that this is not of such magnitude that it cannot be easily met by a system of scholarships or of charitable relief. Another deals with the difficulty of enforcing the law against the opposition of powerful employers, and the need of raising the status of the inspector and giving him greater security and independence. The present aim of the reformers appears to be that labour legislation should become a national affair, and for that purpose there has been introduced a bill which "provides that the carriers of interstate commerce, the railroads, and the steamboat lines, shall not transport the products of any factory or mine that employs or permits the labor of children under fourteen years of age. It provides for any officer of a factory or mine, who violates that Act, the punishment of a money fine and a sentence in the penitentiary." The supplement consists of a handbook containing schedules of existing statutes and the standard child labour law, embodying the best provisions of the most effective measures now in force.

[H. B.]

Revue d'Économie Politique (Paris).

MARCH, 1907. *La progression des Grèves en France et sa Valeur symptomatique*. CHARLES RIST. *Les castes et la vie économique*. C. BOUGLÉ.

APRIL. *Morale et Sociologie*. D. PAROTI. *Les castes et la vie économique* (suite et fin). C. BOUGLÉ.

Journal des Économistes (Paris).

MARCH, 1907. *Théorie de l'évolution*. G. DE MOLINARI. *Le rachat des chemins de fer*. G. DE NOUVION. *L'impôt sur le revenu et liberté individuelle*. A. REVILLON.

APRIL. *Lettres inédites de Du Pont de Nemours au Comte Chrepowicz*. G. SCHELLE. *Théorie de l'évolution*. G. DE MOLINARI.

Revue Économique internationale (Brussels).

Unable to mention all the papers of this monthly, we notice one in each number.

MARCH, 1907. *De la repartition du revenu*. E. PHILIPPOVICH. The new, unlike the classical, Political Economy calls for State intervention to make the distribution of income equitable.

APRIL. *Le régime commercial de l'Europe et les États-Unis d'Amérique*. A. VON MATLEKOVITZ. Europe, without England and France, is powerless to resist the commercial supremacy of America.

MAY. *Force motrice technique*. PROF. D. BALLOD. Statistics of mechanical power, actual in engines, or potential in natural sources.

THE *Revue du Christianisme Sociale* (Paris) contains an interesting article on *Le devoir de l'impôt*, by Professor Gide. Explaining the evasion of taxes and the emigration of capital by the feeling of the rich that they are now in France practically unrepresented, the writer treats the payment of taxes as a duty rather

than a debt, and favours a tax on income based on the simple declaration of the party.

Jahrbücher für Nationalökonomie (Jena).

- JANUARY, 1907. *Ist die Grundrente in der Peripherie der Stadt eine "allgemeine Monopolrente"?* F. PABST. The higher ground rent in the outskirts of growing cities is not due to monopoly. *Der Berliner Getreidehandel unter dem deutschen Börsengesetz.* H. RUESCH.
- FEBRUARY. *Der Berliner Getreidehandel unter dem deutschen Börsengesetz.* H. RUESCH. Continued and concluded.
- MARCH. *Statistik der Bevölkerungsbewegung im deutschen Reich.* DR. KARL SEUTEMANN. *Zur Methode der Wirtschaftswissenschaft bei D. Ricardo.* F. LIFSCHITZ. *Die heutige amerikanische Trustform und ihre Anwendbarkeit in Deutschland.* R. LIEFMANN.
- APRIL. *Die Böhm-Bawerksche Kapitalzinstheorie.* SCHAPOSCHINOFF. *Gutzerstrümmungen.* F. ZIMMERMANN. *Die preussische Sparkassengesetzentwurf.* F. ZAHN.

Archiv für Sozialwissenschaft und Sozialpolitik (Tübingen).

- BAND XXIV., HEFT 2. *Arbeiterbewegung und Arbeiterpolitik in Australasien von 1890 bis 1905.* KÄTHE LUX.
- HEFT 3. *Zur Lage der Kellnerinnen im Grossherzogtum Baden.* DR. HEINRICH PETER. A study on waitresses. *Kellnerinnen-elend.* CAMILLA JELLINCK. The grievances of waitresses.

Jahrbuch für Gesetzgebung. . . . (Jena.)

1907. HEFT 2. *Das Rentenprinzip in der Verteilungslehre.*—II. J. SCHUMPETER. The concept of rent as a differential gain is considered in relation to the law of decreasing returns, the rent of land, J. B. Clark's, and other theories.

Giornale degli Economisti (Rome).

- FEBRUARY, 1907. *La rilevazione dell' andamento del mercato del lavoro.* R. BACHI. Methods of interpreting the course of the labour market. *Due recenti libri sul Commercio internazionale.* A. GRAZIANI. Referring to the treatise of L. Fontana-Russo and that of G. F. Gerbino.
- MARCH. *I lavoratori della terra in Provincia di Bari.* G. RAGONE.
- APRIL. *Metodi per la rilevazione del mercato del lavoro.* E. BACHI. Continued from February. *Il problema delle assicurazioni operaie in Italia.* T. BAGNI.

La Riforma Sociale (Turin).

- APRIL, 1907. *La determinazione della durata della generazione e il calcolo della ricchezza privata di un paese.* F. COLETTI.
- MAY. *Sulla disoccupazione operaia.* A. GRAZIANI. *L'imposta sulle arce fabbricati e il nuovo progetto di legge per Roma.* A. GEISSER. The hasty imposition of taxes on building land is combated by arguments of much theoretical interest.

NEW BOOKS.

ALDOUS (H. G.). *The Taxation of the Liquor Traffic*. A portion of Chapter IV. of Messrs. Rowntree and Sherwell's book critically examined. London: Review Press. 1907. Pp. 25.

[The statistics and arguments of Messrs. Rowntree and Sherwell are unmercifully criticised; and it is concluded "that these authors, full of enmity to the Liquor Trade, wish that trade to be taxed to breaking point, if not out of existence; and that in their endeavour to show that the Trade is capable of bearing considerable taxation, they have not hesitated to garble, ignore, and suppress facts which go to prove the contrary."]

ARTIFEX and OPIFEX. *Causes of Decay in a British Industry*. London: Longmans. 1907. 8vo. 7s. 6d. net.

BLACK (CLEMENTINA). *Sweated Industry and the Minimum Wage*. With an introduction by A. G. Gardiner. London: Duckworth. 1907. Pp. xxiv+281.

BARBOUR (JAMES S.). *A History of William Paterson and the Darien Company*. Edinburgh: Blackwood. Pp. 284.

BLAIR (M.). *Paisley Thread Industry and the Men who Created and Developed it*. With Notes concerning Paisley, Old and New. London: A. Gardner. 1907. Pp. 206. 6s. net.

DANIELS (PROF. W. M.). *Economic Causes as Affecting the Political History of the United States*. Edinburgh. 1907. Pp. 14.

[Reprinted from the *Accountants' Magazine* for May, 1907.]

DAVIES (R. E.). *The Life of Robert Owen, Philanthropist and Social Reformer*. London: R. Sutton. 1907. Royal 16mo. Pp. 64. 1s. 6d.

DEVAS (CHARLES S.). *Political Economy*. London: Longmans. 1907. Pp. 672. Third edition.

[Statistics have been brought up to date, and there have been appended explanations and references.]

DUX (R.). *Economic History of India under Early British Rule*. London: K. Paul. 1906. Pp. 460.

ENSOR (R. C. K.). *Modern Socialism, as set forth by Socialists in their Speeches, Writings, and Programmes*. London: Harper. 1907. 8vo. Pp. 444. 6s. net.

[2nd edition, revised and enlarged.]

FERRI (ENRICO). *Socialism and Positive Science: Darwin, Spencer, Marx*. Translated by E. Harvey. London: Independent Labour Party.

FRASER (M. A. C.). *Western Australian Yearbook for 1902-04*. Perth: Curtis. 1906. Pp. 1283.

[The Government statistician and Registrar General of Western Australia presents a mass of information digested under fourteen heads, and amply illustrated by maps, diagrams, and miscellaneous pictures, e.g. of the natives.]

GREEN (F. E.). *How I Work my Small Farm*. London: Fifield. 1907. 8vo. Pp. 92. 2s. net.

HEATH (H. LLEWELLYN). *The Infant, the Parent, and the State*. A social study and review. London: P. S. King. 1907. Pp. 191.

HOBSON (J. A.). *Canada To-day*. London: Unwin. 1906. 8vo. Pp. 158.

HOBSON (J. A.). *The Fruits of American Protection*. New York: Reform Club. London: Cassell and Co. 1906-07. Pp. 56. 3*d*.

[A pamphlet published in 1906 by the New York Reform Club, and reprinted in 1907 by the Cobden Club; on the rise in prices due to protection, "dumping," and trusts.]

KELTIE (J. SCOTT). *The Statesman's Year-Book, 1907*. London: Macmillan. Pp. 1672.

[An important new feature is formed by the sections relating to the armies of the various States; and diagrams showing the comparative growth of the leading navies.]

Labour Laws for Women in France; in Germany; in the United States. Three pamphlets, each containing much information within some fourteen pages. Published by the Women's Industrial Council. 1*d*. each, or 1½*d*. post free.

LAYCOCK (F. N.). *Political Economy in a Nutshell*. London: Sonnenschein. 1907. Pp. 208. 2*s*. 6*d*.

McCONNELL (PRIMROSE). *Diary of a Working Farmer. True History of a Year's Farming in Essex*. London: Cable Printing Co. 1907. Pp. 304. 6*s*. net.

MACDONALD (W. A.). *The World to Go and the World to Come*. London: Sonnenschein. 1907. Pp. 32.

[An interview between one Androtheus and a student of Social Science on several burning questions.]

MACROSTY (H. W.). *The Trust Movement in British Industry. A Study of Business Organisation*. London: Longmans. 1907. Pp. 398.

MILLS (J. SAXON). *Landmarks of British Fiscal History*. London: Black. 1*s*.

OLIVIER (SYDNEY). *White Capital and Coloured Labour*. London: Independent Labour Party. 1906. 8*vo*. Pp. 182. 1*s*. 6*d*. net.

[Socialist Library.]

PRATT (E. A.). *Licensing and Temperance in Sweden, Norway, Denmark*. London: Murray. 1907. 8*vo*. Pp. 128. 2*s*. 6*d*. net.

RENTOUL (R. REID). *Race Culture or Race Suicide: Plea for the unborn*. London: W. Scott. 1906. Pp. 196.

SPICER (A. DYKES). *The Paper Trade. A descriptive and historical survey of the paper trade from the commencement of the nineteenth century*. London: Methuen. Pp. 282.

SUTHERS (R. B.). *Mind your own Business. Case for Municipal Management*. London: Clarion Press. 1907. 8*vo*. 6*d*.

WEDGWOOD (J. C.). *Land Values: Why and How they should be Taxed*. Garden City Press. 1907. 8*vo*. 3*d*.

WOLFF (H. W.). *Co-operative Banking: Its Principles and Practice. With a chapter on Co-operative Mortgage Credit*. London: P. S. King. 1907. Pp. 301. 7*s*. 6*d*.

BASKERVILLE (BEATRICE C.). *The Polish Jew: His Social and Economic Value*. New York: The Macmillan Co. 1906. Pp. 336.

[A study based on eight years' residence in Poland.]

BOUDIN (LOUIS B.). *The Theoretical System of Karl Marx*. (International Library of Social Science.) Chicago: Kerr. 1907. Pp. 286.

BURKETT (C. W.) and POE (C. H.). *Cotton, its Cultivation, Marketing, Manufacture, and the Problems of the Cotton World*. New York: Doubleday. 1906. Pp. 340. \$2.

CLARK (VICTOR S.). *The Labour Movement in Australia*. New York: Holt. 1906. Pp. 327.

COOPER (FRANCIS). *Financing an Enterprise*. 2 vols. New York: Ronald Press Co. 1906. Pp. 543.

ENGELS (FREDERICK). *Landmarks of Scientific Socialism*. "Anti-Duchring." (International Library of Social Science.) Chicago: Kerr. 1907. Pp. 206.

FORREST (PROF. J. DARSEY). *The Development of Western Civilisation. A study in ethical economics and political evolution*. Chicago: University Press. 1907. Pp. 406.

HARGOOD (H.). *The Spirit of Labour*. New York: Duffield and Co. 1907. Pp. 410. \$1.50.

[An interesting study of the life and character of a "typical" trade unionist.]

JENKS (J. W.). *Great Fortunes: The Winning, the Using*. New York: M'Clure.

LEWIS (AUSTIN). *The Rise of the American Proletarian*. Chicago: Kerr. 1907. Pp. 213.

PIERCE (FRANKLIN). *The Tariff and the Trusts*. New York: Macmillan Co. 1907. Pp. 387. \$1.50.

[A vigorous attack upon trusts and the injustices of the present tariff.]

PORTER (ROBERT P.). *Dangers of Municipal Ownership*. New York: Century Co. 1907. Pp. 349. \$1.80.

[A criticism of municipal ownership on financial, economic, and social grounds; with special reference to the experience of England.]

SMITH (GOLDWIN). *Labour and Capital. A letter to a labour friend*. New York: The Macmillan Co. 1907. Pp. 38.

[Labour is cautioned against violence, threatened with Chinese and Japanese competition; would Socialism be a success if "one or two nations were to hold out for the principle of private property" ?]

RAUSCHENBUSCH (WALTER). *Christianity and the Social Crisis*. New York: Macmillan. 1907. Pp. 429. \$1.75.

[The author was long a pastor among working people in New York.]

SPARLING (SAMUEL E.). *Business Organisation*. (The Citizen's Library.) New York: The Macmillan Co. 1906. Pp. 374.

WOOD (W. ALLEN). *Modern Business Corporations, including the Organisation and Management of Private Corporations with Financial Principles*. Indianapolis: Bobbs Merrill Co. 1906. Pp. 357.

BONNEFOY (G.). *Le repos hebdomadaire. Étude théorique et critique de la loi du 13 juillet, 1906*. Paris: Marcnal et Billard. 1907. 8vo. 5 fr.

BOUGLÉ. *Le Solidarisme*. Paris: Giard. Pp. 340.

[The author, a professor of social philosophy at the University of Toulouse, expounds eloquently the doctrine of Solidarisme, which is now so much in vogue in France.]

CHABANE LA PALICE (A. DE). *Le libéralisme devant la raison*. Paris: Alcan. 1907. Pp. 466.

[A criticism of the sentimental liberalism which leads to Socialism; with an appeal to logical liberalism which leads to individualism and free trade.]

FOUMERÈSE (EUGÈNE). *L'Individu, l'Association, et l'État*. Paris: Alcan. Pp. 257.

[The author, who is editor of the *Socialist Review* represents the idealist Socialism of 1848, which put its faith in free association; now so much discredited by the triumph of Marxism.]

GUYOT (YVES). *La Science Économique*. Paris: Schleicher. 1907. Pp. 531. (A new edition, recast.)

GUYOT (YVES). *L'impôt sur le revenu. Rapport fait au nom de la Commission du budget sur les questions soulevées par diverses propositions relatives à l'impôt sur le revenu*. Paris: Alcan. 1906. 12mo. 3.50 fr.

MERLIN (ROGER). *Le Contrat de Travail*. Paris: Alcan. Pp. 166.

[The author, who is librarian of the Musée Social, discusses clearly but summarily, the modifications which should be introduced into the contract between employer and employee to render it more equitable.]

SCHELLE (M. G.). *Le Docteur Quesnay, physiocrate*. Paris: Alcan. 1907. 16mo. 5 fr.

TARDE (A. DE). *L'idée du juste prix. Étude de psychologie économique*. Paris: Alcan. 1907. 8vo. 7 fr.

EBERSTADT (R.). *Die Spekulation im neuzeitlichen Städtebau. Eine Untersuchung . . . zugleich Abwehr der gegen Wohnungsreform gerichteten Angriffe*. Jena: G. Fischer. 1906. Pp. 224. 4m.

[Opposes the "Mietcaserne," and criticises severely the publications of A. Voigt.]

RIEZLER (K.). *Ueber Finanzen und Monopole im alten Griechenland*. Berlin: Puttkamer und Mühlbrecht. 1906. Pp. 98.

ROLLER (DR. OTTO K.). *Die Einwohnerschaft der Stadt Durlach im 18 Jahrhundert*. Karlsruhe: Braun. 1907. Pp. 272.

SALOMON (ALICE). *Die Ursachen der ungleichen Entlohnung von Männer und Frauenarbeit*. Leipzig: Duncker und Humblot. 1906. Pp. 139. 3.20 m.

SCHRAUT (DR. MAX VON). *Die persönliche Freiheit in der modernen Volkswirtschaft. Mit einem Geleitwort von Dr. Paul Laband*. Tübingen: Mohr. 1907. Pp. 131.

Tarifvertrag im deutschen Reich. Bearbeitet im kais. statist. Amt. Berlin: C. Heymann. 1907. 3 vols. 8 m.

[An elaborate official report on trade agreements. Vol. I. is introductory and historical with accounts of experience in other countries; II. analyses systematically German agreements; III. gives the text verbatim of 130 such agreements.]

VOIGT (PROF. DR. ANDREAS). *Zum Streit um Kleinhaus und Mietcaserne*. Dresden: Boehmert. 1907. Pp. 31.

*[A reply to Dr. R. Eberstadt and Prof. Carl Fuchs on the question whether high buildings make high rents; referring to the author's paper in the *Schriften d. Verein f. Sozialpolitik*, Bd. xciv. (1901).]

WAGNER (AD.). *Theoretische Sozialökonomik oder allgemeine und theoretische Volkswirtschaftslehre. Erste Abtheilung*. Leipzig: C. F. Winter. Pp. 520. 12 m.

[A formal publication of a new and much enlarged edition of the author's outline of lectures, hitherto printed privately. The subjects covered are: 1. Introduction; Schools and literature. 2. Grundlegung. 3. Production, Exchange, Distribution. A second part covering Transportation, Money and Banking, Insurance, is to follow shortly.]

CALISSE. *Gli usi civici nella provincia di Roma*. Prato. 1906.
[On the rights of the people in common land in the province of Rome.]

LIMENTARIL. *La previsione dei fatti sociali*. Turino: Bocca.

OTTOLENGHI (C.). *I profitti industriali nella costituzione economica odierna*. Turin. 1907. 8vo. Pp. 310. 8 l.

PRATÓ. *Censimenti e popolazione in Piemonte nei Secoli xvi., xvii., xviii.* Rome. 1906.

THE ECONOMIC JOURNAL

SEPTEMBER, 1907

THE SUGAR CONVENTION AND THE WEST INDIES.

As determined by Art. X. of the Brussels Sugar Convention, September 1st, 1907, is the final date by which the signatory powers must individually decide whether they will continue their membership beyond the original term of five years. The present, therefore, seems a suitable moment for estimating the value of the Convention from the British point of view.

In the first place, the Sugar Convention marks a departure from our long-established commercial policy. It is a "fair" trade rather than a "free" trade measure: its most characteristic provision—the penal clause—recognises in the tariff a defensive weapon and an instrument of bargaining power; and the final protocol, while declaring that, as an exceptional measure, no preference shall be given to colonial sugar during the period of the Convention, reserves, in principle, entire liberty of action to the British Government in all which concerns the fiscal relations between the United Kingdom and its Colonies. It is, therefore, not unfair to describe the Convention as a "working model of fiscal reform."

Opinions as to the merits of this international agreement are sharply divided. Thus, in the autumn of 1904, a time of inflated prices, consequent on a short beet crop and the closing of British markets to Russian, Argentine and other supplies, the Convention was made responsible for all the trouble; a few months later, when rumours of enormous sowings brought prices down again, a different tale was heard: that the Convention had not raised prices, but only changed the sources of supply—thus per-

forming a beneficent service which had helped to foil the designs of speculators and save the West Indian Colonies from ruin. It will be worth while to attempt to apportion the share of truth to each of these views, for the Brussels Convention is a "crucial instance" which may throw some light upon more important projects of kindred nature.

It is an undoubted fact that the European sugar bounties introduced a disturbing element into trade, and caused excessive fluctuations in prices; but it was not primarily on these grounds that this country quarrelled with a system from which in some respects it benefited greatly. Mr. Balfour assigned the reasons for British interference in the debate on the Enabling Bill in the following words:—"If it were not that the proper investment of capital belonging to the Empire has become impracticable and dangerous under our existing system—if it were not, in fact, for the case of the West Indies, there is no conceivable reason why we should not allow the foreigner to tax himself for the benefit of the consumer in this country."¹ The weakness of this apology is its implied admission that the colonial gain is the home consumers' loss.

The subject may be raised to a higher plane by placing concern for the welfare of the West Indian population above anxiety for capital. It may be urged that Great Britain has incurred a peculiar liability towards the Crown Colonies; that she has withheld from them the right of self-government because the inferior peoples are incapable of discharging its functions in accordance with civilised standards; but, on the other hand, has undertaken to be responsible for their general well-being. This argument applies with especial force to the case of the West Indies, whose present native population was brought thither, in the capacity of slaves, in the interests of the ruling class; and where, moreover, the endangered industry is the principal mainstay of the inhabitants.

With one or two reservations—as that bounties were only a contributory cause of the decay of the West Indian sugar industry; and that, in face of bounty-fed competition, it suffered more severely than cane-sugar enterprise in other parts of the world—the case for remedial interference may be admitted. In considering the claims of the Brussels Convention to be regarded in this light, it will be necessary to inquire into the nature, cost and efficacy of this particular "fiscal cure for industrial ills"—with especial reference to the recommendations of the

¹ H. of C. 26/6/1903.

West India Royal Commissioners who diagnosed the malady in 1897.

It is claimed that, by abolishing bounties, the Convention has restored natural conditions of trade, placed cane and beet sugar on a fiscal equality, and opened up a new era of prosperity for the West Indian Colonies. One must not subscribe to this view too hastily. There are difficulties even in defining terms. The enumeration of bounties, direct and indirect, in Art. I., presumably not intended to be exhaustive, has given rise to much dispute. For instance, Russia, in protesting against the levy of countervailing duties on her sugar, declared that her legislation had eliminated everything that might encourage export and practically denied the existence of a bounty on Russian sugar. Great Britain has had to appeal against a too literal interpretation of one category, viz., the bounty that may arise from an excessive surtax; and the large imports of Austrian sugar into India, encouraged by low Austrian-Lloyd freights, has raised the question of indirect bounties in perhaps its most acute and subtle form. The subject of preferential railway rates and shipping freights was placed on the agenda paper of an early session of the Permanent Commission, but has not engaged the attention of the delegates. Again, it is observed that France retains the *détaxe de distance*, and is exempted from the system of refining in bond imposed on other Convention States as providing the only satisfactory guarantee against export bounties; and that a limited surtax is permitted to the producing countries under the specious plea of protecting the home market.

Such criticism may be carried almost to any length. If the Queensland bonus on employment of white labour is regarded as an indirect bounty, there is no logical reason why assisted coolie immigration in Jamaica should not be viewed in the same light; the purist may even be justified in asking in what sense the direct Imperial subventions to the West Indian sugar industry differ from a bounty. The attempt to mark off certain kinds of State-aid to industry as bounties, as distinguished from others which are not, appears to end in hopeless confusion; the attempt to circumvent bounties in one direction only encourages their emergence in more insidious forms; whilst countervailing duties may easily develop the evils which they are intended to correct.¹

Nor must it be assumed that the abolition of bounties, however completely that end is attained, secures equal fiscal treatment for the West Indies in the markets of the world.

¹ *Ôp. Farrer. Free Trade v. Fair Trade.* Chapter on "Sugar."

Differential duties, equally with bounties, disturb the equilibrium of trade, and account must be taken of their discriminating action. The argument presses both ways; but West Indian planters would probably be the first to admit that the disabilities they suffer through the adoption of the United States preferential policy towards Cuba and the Philippines are not offset by the doubtful benefits of Canadian preference—a preference which is disputed by the Canadian refiner and claimed by the Convention States.

Passing to the question of cost, we have to consider what sacrifices have been made by the mother country in her efforts to secure fair play for the sugar-producing colonies. It is observed that, under the terms of the Brussels Convention, sugar from Russia, Argentina, and certain minor sources is excluded from British markets. It is impossible to say precisely how far this fact assisted the abnormal rise in prices in 1904-5, but it is well known that potentialities play a very important part in speculative dealings: the rise corresponds to the fever of public apprehension rather than to the actual relations of supply and demand. This principle of panic was illustrated by the Spanish export incident.¹ The French manufacturers, in complaining of the infringement of Art. XI., alleged that the imports of Spanish sugar had caused a fall on the English market and handicapped their own exporters. Yet the actual receipts were only some 5,000 tons, and were not capable of being speedily increased! One may imagine what would have been the effect on the operations of the "corner" if the situation could have been relieved by the withdrawal of the Prohibition Order relating to Russian and Argentine sugar.

Restricted importation was not the only cause of the 1904 crisis. Other contributory factors were a bad harvest, reduced sowings and an increased continental demand. Of these the first does not come within the scope of this discussion; while the second and third must be regarded as incidental to the abandonment of bounties and not directly consequent upon the specific provisions of the Brussels Convention. But after all deductions have been made there can be no doubt that the tying of our hands by Convention obligations made the financial situation more acute and so aggravated the distress in the sugar-using trades and poorer households.

Now that the crisis has passed, it is possible to draw conclusions which were obscured by the exceptional circumstances of

¹ See H. of C. debate 1/6/1905.

the moment. It is seen that the level of prices since the Convention is appreciably higher than the lowest figure touched in 1901-2, though not above the average of the ten years preceding the Convention. A study of these figures leads one to infer that, leaving on one side the increased incentive to beet sugar production, any injury to producers of cane sugar caused by the State bounties has been much exaggerated. It was only during the latest phase of the bounty movement, *i.e.*, under the dumping policy pursued by the Sugar Kartells, that prices were depressed below a competitive figure; and the direct influence of the Brussels Convention on prices can scarcely have exceeded that of restoring them to the level of cost of production—a result which followed almost immediately on the dissolution of the Kartells in 1903.

Incidentally, through the cheapening of sugar on the Continent, a stimulus has been given to the industries dependent on this raw material—thus intensifying competition for British exporters. It would be foolish to grudge our continental neighbours the benefits resulting from the reduction of their inland duties; but it is difficult to see what is the precise value of England's share of the bargain. The abolition of the bounties is an undoubted all-round good which must tend to increased trade stability and advantage to both British and continental interests; but, from our standpoint, it is regrettable that the result was not obtained without the surrender of the principle of the open market and the limitation of the area of supply.

The champions of retaliation assert that the Brussels Convention has saved British sugar-users from the menace of a continental monopoly—the essential danger lurking behind the policy of free imports. It is observed that the West India Commissioners were very sceptical on this point,¹ and the disastrous adventure of MM. Cronier and Jaluzot, the French speculators, afforded fresh evidence of the impossibility of holding the market permanently in commodities which are produced over a very wide area. The dumping policy of the Kartells was a sign of weakness, not of strength, and it is probable that the British sugar-using industries would have been quite content to await the “natural” death of bounties, suffering, in the meantime, any insecurity that might arise from “artificial” cheapness.

The notion of an international agreement to abolish bounties, diminish fluctuations, and regulate supply is very attractive and, at first glance, seems free from many of the objections that are

¹ *Report C.* 8655 (1897) p. 9.

commonly urged against single-State defensive tariffs. In such an event the tariff weapon is only held in reserve for penalising the States that decline to join the alliance. The success of such an experiment is naturally proportional to the number and importance of the contracting States. Just as in the "battle of the standards" the bimetallicists claimed that every adhesion to the bimetallic league simplified the maintenance of the double standard, so it may be supposed that every accession to the non-bounty group of States would render more effectual the effort to restore natural conditions to the sugar trade.

Without staying to discuss how far the aims of the Brussels Convention are frustrated by the attitude of non-signatory States, it is evident that the standpoint of an importing, non-producing State like Great Britain, requiring cheap, plentiful supplies of a commodity which is both an essential food and a useful raw material, differs widely from that of the continental countries whose main concern is to secure a market for their products at the expense of other sources of supply. The weakness of the British position is reflected in the various concessions that have been made, as in the acceptance of a surtax high enough for the efficient protection of the home markets of the producing countries and in the assurance that no preference will be granted to colonial sugar during the Convention term. The British delegate to the Permanent Commission has, throughout the proceedings, been confronted by a solid protectionist phalanx, and in more than one important division has found not a single supporter for his views. Recognition of such important principles as that the existence of a surtax does not necessarily imply a bounty, and that sugared goods should be allowed to enter Convention States on the same terms as sugar, has been obtained with difficulty after prolonged discussion.

Retaliation has been resorted to in several cases, and the prohibition of Russian sugar under the penal clause has provoked reprisals in the shape of increased duties on Indian teas imported *via* the Black Sea ports and land frontiers.¹ The British Government has not responded to the challenge—preferring to let the matter rest rather than embroil the country in a tariff war.² Perhaps it is as well that prudent counsels have prevailed. The history of tariff wars is not encouraging: it is an open question whether retaliation does not raise more barriers than it levels; whether it does not hinder rather than promote commercial peace; whether the diversion and loss of trade during the period of

¹ By Imperial Decree of 23/8/1903.

² See H. of C. debate 23/3/1906.

restriction are not greater than any gains arising from subsequent treaty concessions.

It remains to inquire whether the Brussels Convention has accomplished all that its promoters had in view. Again, the forecast of the West India Commissioners has been justified by the event. The abolition of the direct State bounties on sugar has been a great boon to the Continent: the fetters of excessive inland duties have fallen away and left the industry comparatively free to expand. Continental consumption for 1903-4 showed an advance of 50 per cent., and, though that abnormal rate of increase has not been maintained, it is noteworthy that, while English consumption shows some decline during the past five years, consumption in France and Germany has meanwhile grown.

On the other hand, statistics do not indicate improvement in the West Indies. The following figures show the proportion of the West Indian crop to the total cane crop during the same period :—¹

		B. W. Indies (with B. Guiana). Tons.	Total cane. Tons.
1901-1902	... ..	260,000	3,835,000
1902-1903	... ..	239,200	4,163,941
1903-1904	... ..	248,646	4,220,395
1904-1905	... ..	203,000	4,565,114
1905-1906	... ..	232,000	4,913,000

The argument that the Convention was the cause of the increased cane-sugar supplies, which helped to make good the deficiency in the beet crop in 1904-5, and so exercised a steady influence on the market, does not hold good: for, on examination, it is found that half the cane surplus of 400,000 tons for that year is credited to Louisiana, Porto Rico, Hawaii, Cuba, and the Philippines—all of whose sugars are privileged in the United States market, either by free admission or preferential treatment; of the remainder, 100,000 tons are set down to Java; while the West Indies, for whose express benefit England joined the Convention, produced one of the smallest crops on record. The colonial reports illuminate the bare statistics.² The Governor of British Guiana reports that, owing principally to extensive sowings of beet in Europe and the collapse of prices, the year has not been a prosperous one for the staple industry. In Barbados the estimate of the sugar crop was fully realised, but prices were most disappointing. The Governor of St. Vincent says that the

¹ Willett and Gray's figures.

² *Col. Reports (Annual)* 514, p. 42; 497, p. 4; 510, p. 16; 504, p. 20.

sugar industry continues in an unsatisfactory condition, owing to the low price of muscovado. In Trinidad, also, low prices have discounted a heavy return.

The West India Commissioners anticipated that the sugar industry in the islands would still have to contend with grave difficulties whatever the issue of the anti-bounty movement. They instanced the policy of the United States and the fact that sugar can be grown successfully over a very wide area.¹ It is indeed significant that during the second half of the nineteenth century, roughly coinciding with the bounty period, Cuban sugar production rose from 300,000 tons to 1,000,000 tons; that of Louisiana from 100,000 tons to 300,000 tons; while in Hawaii, where the industry dates back only to 1875, the output at the end of the century exceeded 300,000 tons. These surprising results must be attributed, primarily, to the enterprise of American capitalists working on the most approved lines and encouraged at some periods by State bounties, and treaties of reciprocity. It may be noted that there is a striking diversion in the last few years of Jamaica sugar from United States to Canada, accounted for by the Governor as the consequence of the fiscal measures adopted by those countries.²

Of the cane-producing countries which have developed independently of artificial stimulus Java stands out pre-eminently. Thanks to the richness of its soil, the abundance of its labour supply and excellent cultivation, the industry has made steady progress. The figures of production have doubled in the last ten years, and are now well over 1,000,000 tons. A notable recent growth is that of Peru, which in 1904-5 supplied the United Kingdom with 60,000 tons, a quantity equal to the average imports from the West Indies.

When any estimate is made of the relief afforded to the West Indian sugar industry from the cessation of the bounties, two or three considerations must be borne in mind; first, that the greater part of the effect of the bounties in stimulating economies has resulted in permanently decreased costs; secondly, that bounties only accentuated the downward tendency of prices; and, thirdly, that any rise in price, consequent on their suppression, must soon be lost in fresh economies. It is beyond doubt that, with rare exceptions, the West Indian industry, owing to its internal weakness, has not shared proportionately in the general lowering of the costs of production; and it is this fact that is responsible for its serious collapse, and that precludes the hope of its revival

¹ *Report*, pp. 5-7.

² *Col. Report (Annual)* No. 492

when based on a single external circumstance such as the abolition of the bounties.

The root of the mischief must be traced far back to general causes incidental to an age of rapid transitions. A captain of industry, writing shortly after the issue of the West India Commission Report, remarked that "a chemical discovery, an electrical invention, the properties of a plant utilised—any one of such or of other not improbable surprises upon which we seem to be sometimes on the very threshold—might transform conditions in a day. The substitution of beet for cane sugar has blighted the West Indies, which seemed to possess almost a monopoly. . . ."¹ What, therefore, has happened in the case of these unfortunate islands has been the inevitable supersession of an old and effete industry—weighted with bad traditions and paralysed by a false sense of security, bred during a long period of monopoly and privilege—by a young and vigorous rival, born in a restless age, with all the resources of science and capital at its disposal.

The colonial industry, late in the day, made efforts to recover its lost position, and it is safe to say that what little progress it has made has been largely due to the spur of competition. West Indian planters frankly admit that they have spent much time and money in studying continental methods, and have adopted such of their improvements as were suitable to tropical conditions.² In view of this indebtedness, it seems unreasonable to complain that beet sugar, having once established its superiority, should continue to increase its lead. Cane sugar, as a whole, has done well in retaining so large a share of the world's markets for itself; if the West Indies have not shared in the general advance they must seek for particular reasons to explain their isolated fortunes.

According to one theory, the West Indian planters have endured undeserved hardships arising out of an unscrupulous fiscal policy, which, by means of the "blackest system Protection has known," stimulated a rival industry into inordinate activity, and so stifled natural competition. Other people view their sorrows as the harvest of the economic errors sown by a previous generation, if not the direct consequence of the shortcomings of existing proprietors. Be that as it may, one cannot but be impressed by the need for drastic reforms in face of a crisis so fundamental in its character. The bounty system was an excrescence on the

¹ A. Carnegie. *Nineteenth Century*, Feb. 1898.

² *W. I. Commission Evidence*, vol. i. p. 33.

surface of a healthy organism in the case of the European beet sugar industry; but in that of the West Indian industry it attacked a body already corrupted by various ills, and its removal could not of itself be expected to effect a permanent cure. This is the idea underlying the series of remedial measures which the West India Commissioners proposed as indispensable preliminaries to renewed prosperity.

Their recommendations bore fruit in the creation in 1898 of the Imperial Department of Agriculture for the West Indies, to which has been entrusted the general improvement of the sugar industry and the encouragement of a system of subsidiary industries. An account of its operations is given in a recent report¹ by Sir Daniel Morris, the Imperial Commissioner for Agriculture. It makes instructive reading, and indicates the general lines of advance.

The investigations of the Department have been mainly directed to raising new seedling varieties of sugar-canes capable of withstanding disease and standard varieties capable of producing a larger yield of sugar per acre. Experiments have also been made in testing the relative values of manures, in the chemical selection of the sugar-cane, in the treatment of cane-tops with germicides, and other directions. The results are striking.

In British Guiana the area under cultivation has increased 14 per cent. since 1896, and the cost of producing first centrifugal sugar has been reduced from £11 19s. to £10 9s. per ton. The new varieties show an increased yield of from 12 per cent. to 20 per cent. over that of the Bourbon cane. In Barbados the latter has been almost discarded; and the results of experiments with seedling canes and manures are equally promising. In the Leeward Islands, thanks to the careful selection of canes, plantations once ravaged by disease are now bearing luxuriant crops. The erection of a central sugar factory in Antigua, together with other improvements, "indicate a desire for progress such as has not been seen in the smaller islands for a generation or more."² In an average year sugar can be produced for £8 per ton at a small profit.

Independent cane-farming is now an established branch of the sugar industry in Trinidad, the farmers producing one-third of the total crop; but "extensive cane-farming is pregnant with danger in the future unless steps are taken to provide an adequate supply of labour."³ This latter difficulty has been over-

¹ *Col. Report (Misc.)* No. 36. *Cd.* 2901 of 1906.

² *Ibid.* pp. xii and 107 *seq.* *Cp. Col. Report (Misc.)* No. 35.

³ *Ibid.* p. 74.

come in Hawaii and Fiji by the adoption of the "cane company system," which, in giving the coolies an incentive to remain in the colony as free settlers after the expiry of their engagements, enables the estates gradually to dispense with indentured labour.

In Jamaica new seedlings from Demerara and Barbados have been carefully tested, and the best found to yield results far superior to the returns from the Jamaica cane. Proposals are in hand for establishing three central sugar factories.

An important advance in cane-breeding was made in 1902 in the hybridisation of the sugar-cane and in raising new seedling varieties by artificial cross-pollination—and some of the new pedigree canes are now under cultivation. Many of the new seedlings have been tried successfully in other countries, as Hawaii, Louisiana and Queensland.

The methods adopted for extracting the juice and manufacturing the sugar are still far from satisfactory, and the Commissioner considers that improvement in these directions is urgently needed before the industry can compete successfully with other sugar-producing areas. "At present it takes about $13\frac{1}{2}$ tons of canes to produce a ton of muscovado sugar of the value of £8; while, in a well-equipped factory, it would only take about $9\frac{1}{2}$ tons of canes to produce a ton of grey crystals of the value of about £10 10s."¹

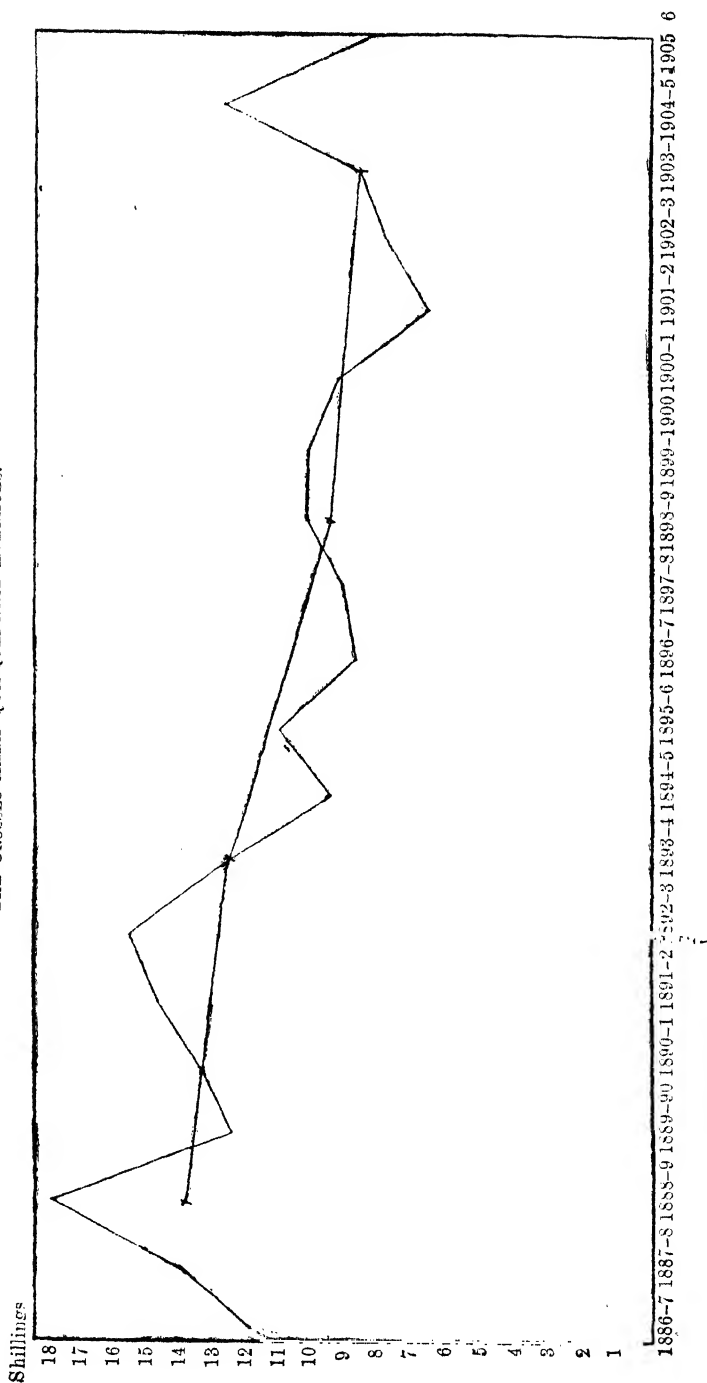
Equally good work has been done in connection with other industries. One or two items may be noted briefly. The diseases and pests affecting cacao are carefully studied, and the planters are kept fully informed as to their character and treatment. Experiments with manures have resulted in largely increased yield.

The area under rice cultivation, especially in British Guiana (paddy rice) and Trinidad (swamp rice), has undergone a large increase. The industry seems destined to become an important one. Tobacco is being successfully cultivated, especially in Jamaica and Trinidad; and during the last few years the rubber industry has received attention and made considerable progress in Trinidad and Tobago.

Experiments in cotton-growing were started at St. Lucia in 1900, and have been extended to Barbados and the northern islands, the Imperial Department of Agriculture supplying quantities of the best Sea Island cotton-seed at cost price. The cotton produced is in good demand, and has realised 2d. to 3d. more than

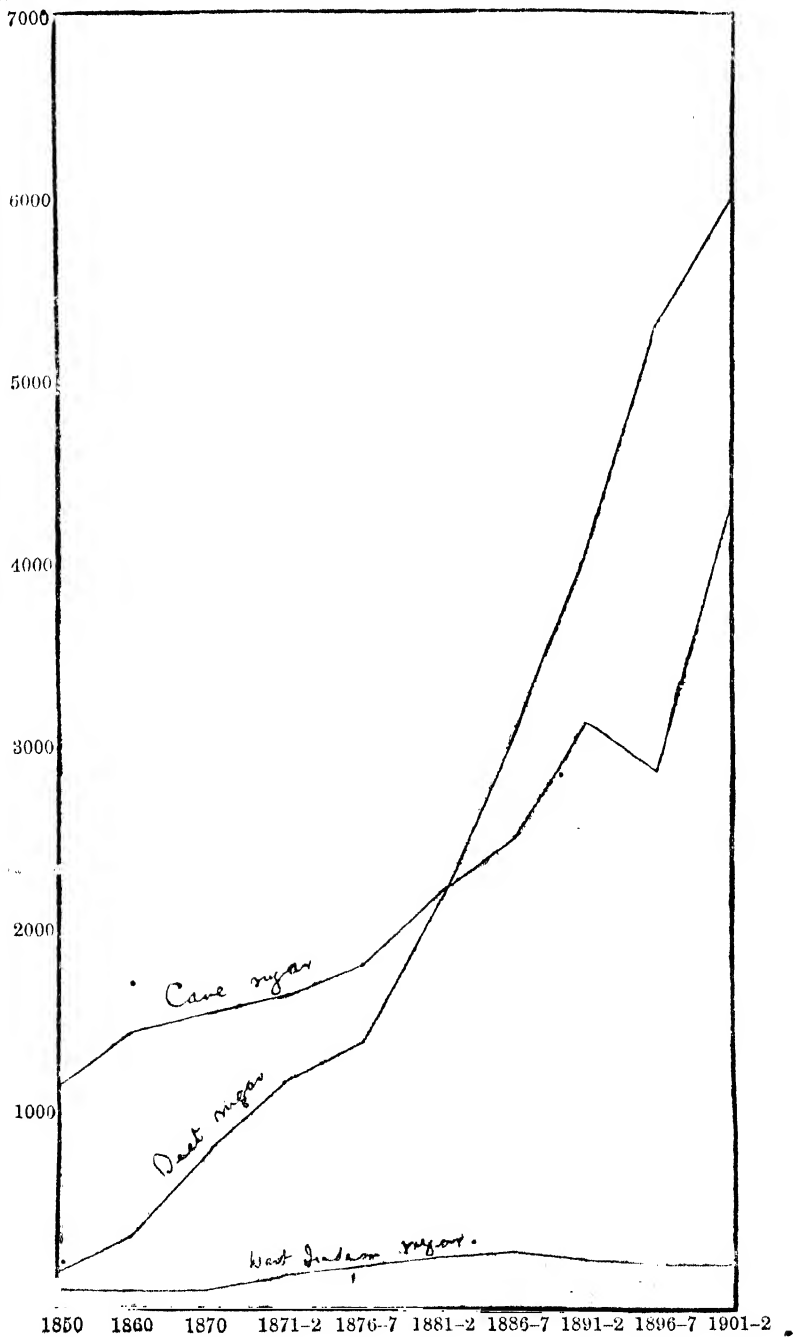
¹ *Ibid.* p. xvii.

I.—DIAGRAM SHOWING COUSE OF PRICES OF 88 PER CENT. BEET SUGAR F.O.B. HAMBURG DURING TWENTY YEARS ENDING 1905-1906.
THE CROSSES MARK QUINQUENNIAL AVERAGES.



II.—DIAGRAM SHOWING COMPARATIVE PRODUCTION OF CANE AND BEET SUGAR
SINCE 1850.

Thousands
of tons.



American-grown cotton; the industry shows every promise of providing an important rotation and subsidiary crop.

More generally, the systematic teaching of the principles of agriculture is being encouraged in every possible way, so that the population may be trained for practical agricultural work. Lectures, competitions, and numerous periodical publications assist this branch of the work. The Department is serving a useful purpose as a leading school of tropical agriculture, and has already turned out a number of highly-trained, scientific men now holding responsible appointments in various parts.

The officials of the Department are gratified by the "steady growth of appreciation of its value in uplifting the several colonies into the view of one another and into the view of the Mother Country and new markets and capabilities. . . . Under the stimulus of new ideas there results a general progressive tendency, the origin of which cannot be readily or definitely traced, but which in its result upon the welfare of a community is perhaps of equal, or even greater, importance than the conscious, definite efforts of the Department."¹

One question, not dealt with in Sir Daniel Morris's report, requires separate mention on account of the importance assigned to it by the West India Commissioners, viz., that of land settlement. The most successful experiment in this direction is the Carriacou Land Settlement Scheme, initiated in 1902. The Governor of Grenada reports that "its beneficial results are already so marked as to encourage the hope of similar developments in the future, both in Carriacou and elsewhere in these islands."²

The Administrator of St. Lucia reports progress in the work of settling the peasantry on the land, but considers "that the best results would have been secured by encouraging at the same time a number of more intelligent and experienced agriculturists with capital to settle on the land with the object of furnishing examples for the small proprietors to follow, and also of providing them with centres at which their spare time could be employed in working for wages while their own crops were maturing."³

The news from Jamaica is disappointing: the location of Jamaica peasants on land of their own is made difficult by their laxity in discharging financial obligations, and 10 per cent. of the lands allotted have reverted to the Crown by reason of default in

¹ *Ibid.* p. xxxiv.

² *Col. Report (Annual)* No. 501, p. 10.

³ *Col. Report (Annual)* No. 505, p. 35.

payment of purchase instalments ; but, notwithstanding this discouraging feature, it is recommended that the sale of Crown lands to the labouring classes should continue.¹

On the whole, there is a hopeful, if not buoyant, note running through these Reports which contrasts happily with the despairing tone of ten years ago. Thanks to united efforts, and especially to the enterprise and technical efficiency of the new Department, the situation, financial and economic, is steadily improving. The sugar industry, even when thoroughly re-organised on scientific lines, cannot hope to resume its old monopolistic sway ; but it may legitimately expect to hold the field with any rival. For the rest, the skilful cultivation of those other products for which the islands are equally adapted, should allay the anxiety which dependence on a single industry entails and prevent the recurrence of such dire crises as have visited the West Indian Colonies in recent times. There can be no doubt that the chief hope for the future lies in the final accomplishment of the reforms advocated by the Commissioners in 1897.

E. COZENS COOKE

¹ *Col. Report (Annual)* No. 492, p. 19.

THE TAXATION OF SITE VALUES WITH REFERENCE TO THE DISTRIBUTION OF POPULATION.¹

THE ultimate effects of reforms affecting the rating of land values are extremely difficult to foresee; and my remarks will, therefore, be chiefly suggestive of the lines on which further research appears to me to be necessary, rather than an attempt at a final solution. Moreover, I shall confine myself to one point, namely, the effect of the reforms which have been recently proposed on the distribution of the population of towns, a subject to which adequate attention has not, I think, yet been given.

For the purposes of discussion, these reforms may be considered under two heads. The first is the assessment of property according to the capital value, or as if it were put to the most profitable use to which it could immediately be put; and the second is the transfer of a part of the rates from buildings to land.

It is generally admitted, I think, that both these methods of reforming our rating system would increase the inducement to expend more capital on the land. It may, however, be convenient briefly to recapitulate the reasons for this belief.

The effect of rating property as if it were used in the most profitable manner would be to make owners more desirous thus to use it; and, in order to employ vacant land or land on which there are comparatively small buildings so as to get the largest rent immediately obtainable, further capital expenditure would be necessary. Where valuable land is vacant, and therefore not rated, the desire to build on it will obviously be increased by the imposition of a rate; and, as to land on which there are buildings, there will be a similar increase in the desire to rebuild when such rebuilding could be profitably undertaken. Without doubt a considerable number of houses which could be pulled down with profit will, under any system of rating, be left standing, because of the friction to be overcome. If a house can be

¹ Read before the Congress of the Royal Economic Society, 1907.

destroyed with profit, the building must be of comparatively little value in comparison with the value of the site on which it stands; and, where this is the case, the net rent receivable by the landlord will be decreased by the reforms under consideration. The temptation to rebuild may perhaps be measured by the percentage of gain on rebuilding; or the ratio of the net rent after rebuilding, less interest on cost of rebuilding, to the net rent before rebuilding. If both the net rents before and after rebuilding were reduced by an increase in the rate falling on the landlord, the temptation to rebuild would, as a rule, be increased; or, in other words, some houses which could profitably be rebuilt under both systems will be left standing on the present system, but would be pulled down under the reformed system.

The effect of transferring part of the rate to land from buildings, and thus of the lowering of the *ad valorem* rate on buildings, would be to increase the demand for houses; and it would also, as a general rule, on the doctrine of margins, create a tendency for more capital to be expended on a given plot of land. This would affect buildings erected on vacant land and buildings erected in the place of demolished houses.

The question whether houses could be profitably pulled down would also be affected by such a change in the system of rating as that under consideration. For such a proceeding to be profitable, the rent from the new buildings must exceed the rent previously obtained from the destroyed buildings by more than the interest on the capital expended in reconstruction, together with the increase in the rates consequent thereon. But the increase in the rates would be diminished by any change which would lessen the *ad valorem* rate; and, consequently, a number of houses now exist, which it would not pay to destroy, but which could be profitably demolished after this reform.

Hence we see that the rating of land values would give rise to a number of influences tending to increase the capital expenditure on both the building and the rebuilding of houses on a given area, both in the suburbs and in the central districts. Increased expenditure in one locality would diminish the demand in the neighbouring localities. Any cause tending to increase building in the centre of a town would tend to diminish building in the outskirts, and therefore to create a greater concentration of bricks and mortar about the centre of that town. But, on the other hand, any cause tending to increase the building in the outskirts would have an opposite or a decentralising effect. Here we have, therefore, two tendencies, one centripetal and the other

centrifugal ; and thus far no reason has been given why we should anticipate that either tendency would predominate over the other.

Now the problem which I have endeavoured to solve—I cannot claim to have succeeded—and the problem I wish others to work at, is this. Will these tendencies just discussed cause more buildings to be erected in the central districts of towns ; and, if so, will this be accompanied by a greater centralisation of the population ? Or will the opposite effect, or a decrease in the congestion of towns, be the result ? If this inquiry leads to the belief, as I think it will, that a greater concentration of the population would result from the rating of land values, then it will become important to consider to what extent this concentration is to be regarded as an evil ; and as to the efficacy of legislative remedies for such evils as are likely to arise.

The effect of the rating of land values on the distribution of the population can hardly be discussed without considering the vexed question of the incidence of urban rates.

On this point, however, I shall be very brief, and shall almost confine myself to a mere statement with regard to the conclusions at which I have arrived. In dealing with this question of incidence, I have found it best to regard house room and house situation as distinct goods ; though I am doubtful whether this method would be approved generally by economists. If, however, the separate consideration of these two goods be permitted, it is important to note, especially, I think, with regard to this question of distribution, that their demand and supply curves are very different. A change in the relative gross rents of smaller and larger houses in the same neighbourhood would make a difference in the number of people preferring one to the other ; whilst, I submit, the same change in the relative gross rents falling on the tenants of equilibrated houses in the central districts and the suburbs would make a much greater difference in the demand in the two cases ; the main reason being that house room is without a competitor, whilst facilities for locomotion enter largely into the question of situation. In other words, the demand for situation is far more elastic than the demand for building, the latter being, I believe, rather inelastic. If this be admitted, then I think it follows that in the long run rates tend to fall on the occupier and the site-value owner approximately in the ratio of the capital expended on the buildings to the price of the cleared site ; the more inelastic the demand for room, the truer being this formula. Also that, as the relative advantages of different situations would not be materially affected by the

proposed reforms in rating, the ground rent paid by the tenant in the central districts would not be much affected. This conclusion would be erroneous if the movement of tenants from the central districts to the suburbs lowered the ground rents in the centre and raised them in the suburbs by an equal amount; but both theory and some experience lead me to conclude that an increase in the demand for land for building purposes raises its price far less in the suburbs than in the centre. It may be that this is a rough and unscientific statement of the case; but it is, I believe, sufficiently accurate to make it the best way to paint the situation for the practical purposes of legislation.

Returning to the question of distribution, we are endeavouring to find out in which direction the population will tend to drift in consequence of rating reforms, whether inwards or outwards. The resulting changes in ground rents may be compared to the changes in the level of the water in a reservoir, the bottom of which has a tendency to sink everywhere, and slopes downwards towards the centre, the water there being consequently deepest. If the sinkage is uniform all over, the depth of the water will be nowhere affected. But if the sinkage is such that the gradient of the bottom towards the centre becomes steeper, then the water will flow towards the centre, and will there become deeper. In a similar way, the effect of the reform under consideration on the distribution of the population would depend mainly on any resulting changes in the gradients, so to speak, of the gross rents paid by the tenants as the congested centres are approached. If the gradients would become steeper, or if tenants would have to pay relatively more for living in central situations, a centrifugal effect would be produced, and *vice versa*. This inquiry will be made in two stages. In the first stage, an endeavour will be made to ascertain which way the gradients of rents would be affected on the assumption that no change took place either in the distribution of the population or in the amount of house room occupied by tenants. The second stage will be to ascertain whether, when these hypothetical conditions are removed, it appears, as the result of this tendency to any change in the rent gradients, or from any other causes, that there would be a centripetal or a centrifugal movement of the population.

The effects of rating reforms, in so far as they consist in the rating of land as if it were used in the most profitable manner, will first be considered. Such a change in the rating would, as we have seen, have the effect of throwing a tax on

the withholding, not on the supply, of land for building purposes; and consequently this reform would result in that withholding being lessened, more land being thrown on the market, and ground rents everywhere being diminished. Where building land is now not built on, and where the increase in the rate would be more than the present rent, this result would obviously follow. But ground rents would also be lowered on this account in the case of all landed property which could be put to a more profitable use. In the central districts of towns there is little land actually vacant as a rule, and ground rents would be little affected by the stimulus thus given to its sale. On the other hand, few of the comparatively recently built houses in the suburbs could be pulled down profitably; whilst there might be a large number of houses in the central districts the destruction of which would be rendered more probable by this reform. We may anticipate, therefore, that ground rents would fall for these reasons more in the central districts and in the extreme outskirts than in the intermediate zone of newly-built houses. But it must also be remembered that land may have a value for agriculture, market gardening, pleasure grounds, back yards, and for many other uses besides that for actual building space, and that the rating of site values would not force the selling price down below this limit. In the central districts the fall in ground rents would be little affected by this check, whilst in the extreme suburbs it might have a very material influence. Balancing these considerations, it appears to me probable that ground rents would fall more actually, though perhaps not proportionately, in the central districts as a whole than in the outskirts, and that the general gradients of rents would thus become less steep.

Passing on to consider the effect of the lowering of the *ad valorem* rate on houses, here again we find that opposing influences would be brought into operation. In comparing any two buildings of equal cost, it would appear, if my views on incidence are correct, that the reduction in the rate paid directly or indirectly by the tenants would be the same in the two cases. But we must not consider houses of equal size, but rather equilibrated houses. Under all systems of rating, the tenant who spends more on situation will spend less on other things, the rent of buildings being amongst the number. The choice of the tenant, therefore, lies between a more costly house, as regards building, in the suburbs, and a less costly one in the central districts; and the result of this reform would be that both the reduction in the amount of the *ad valorem* rate

in effect paid by the tenant, and the consequent relief to him, would be less in the case of the tenant living in the equilibrated house in the centre than in the case of the tenant in the suburbs. From this cause, therefore, the gradient of building rents would be made steeper.

All the other influences produced by the reduction in the *ad valorem* rate would, however, appear to produce a contrary effect on the rent gradients. We have seen that in all parts of a town a tendency would be created for landowners to increase their expenditure on buildings; and in each part of the town more houses might be demanded because of an increase in the population, and not as the result of migration. Building in the suburbs would probably take the form of more land being occupied by houses, each covering about the same ground as the existing houses in the neighbourhood; and the land thus absorbed would mitigate, to a certain extent, the fall in ground rents due to this reform. In the central districts the new buildings would frequently cover no more ground than that occupied by the destroyed buildings; no land would thus be removed from the market, and the fall in ground rents would therefore be, at all events, less mitigated than in the suburbs. Moreover, the number of tenants occupying the same plot of ground would thus be increased; and it is the gross rent paid by each tenant, not the ground rent received by the landlord, which must be held in view. An increase in the height of buildings might add to the profit of the landlord, whilst decreasing the rent to the tenant. For these reasons, therefore, it appears probable that the fall in the central tenants' ground rent would be greater than that experienced by the tenant in the suburbs, and that, consequently, the gradient of rents would become less steep.

Again, reasons have been given for believing that the lowering of the *ad valorem* rate would increase the number of houses which could be pulled down with profit. As compared with the suburbs, there are more houses in the central districts nearly worth rebuilding; and consequently, as a result of this reform, more would there be destroyed, and more gardens and other open spaces would be placed on the market as building land. Here, then, is another tendency to make the gradient of rents less steep.

In the foregoing discussion it has been tacitly assumed that a rate could be transferred from buildings, and, as it were, visibly imposed on economic rent proper; and that the only effect

on the tenant would be the lowering of his *ad valorem* rating. If this were really the case, the new site rate would fall wholly on the landlord. But it is in truth certain, for reasons which have been set forth by Professor Edgeworth in his interesting papers in the ECONOMIC JOURNAL, that other results would arise. Landlords would not be convinced that no expenditure incurred by them on their sites would ever have any effect on the assessment of the value of these sites; and the imposition of such a rate would therefore probably affect their actions somewhat. That expenditure, which generally must be made before a site can be placed on the market, and which may be made in vain, should be correlated with situation rather than with building. Now if, as in the case of most goods, this expenditure increases with the quantity of the "situation" sold or with the amount of the ground rent, then taxation would have its normal effect of increasing the price and diminishing the consumption; or, in other words, the check on the creation of building sites would be greater in the centre than in the suburbs. But, in truth, I believe the opposite effect would in reality be felt; because, generally speaking, this preliminary expenditure will in future be less where situation rents are now greater. In the central districts roads are, as a rule, all made and equipped, and vacant spaces are ready for the builder. Valuable houses would not there be pulled down until it was practically certain that they would be at once replaced by new ones. In short, in the inner ring, the future expenditure correlated with situation rents is likely to be but very small. In the suburbs in some cases it may be very considerable, especially where road-making and excavation have to be undertaken by the land-owner. Hence, I believe that a diminution in the supply of building sites from this cause, and consequently a check in the fall in ground rents resulting from this reform, is more likely to be the result of site value taxation in the suburbs than in the central districts. From this cause also the gradient of rents would, therefore, tend to become less steep.

Hence, as regards the transfer of rates from buildings to sites, there are three reasons why we should anticipate that rent gradients would be rendered less steep thereby; namely, that the height of houses would be relatively increased in the centre; that fewer houses would be pulled down in the suburbs; and that the new rate could not be made to fall visibly on economic rent proper. And there is one reason why the opposite effect may be anticipated, namely, that there would be less reduction

in the rates levied on the equilibrated houses in the central regions. As a matter of opinion, I believe that the former influences would predominate, and, if my conclusions are correct, the net effect on rent gradients would be of the same kind, and, therefore, an addition to the effect produced by the rating of property according to the most profitable use to which it could be put. No doubt where the central districts are already greatly congested—where, in fact, the harm has already been done—little more land could be thrown on the market, and some of these influences would be but little felt. But throughout the town it seems almost certain that the net result of all these causes combined would be to make rent gradients become less steep in these hypothetical circumstances.

Passing on to the second stage in the inquiry, and considering the whole situation without any hypothetical conditions, it is, in the first place, to be noted that the lowering of the amount of the rates, which are paid by tenants on account of the cost of the buildings occupied by them, would permit them to spend more on other things, including situation rents. A slight centripetal tendency would thus be produced; or, in other words, there would be a slight tendency for the population to move into the central districts without reference to the question of rent gradients.

The main question for consideration, however, is, what, on the removal of these hypothetical conditions, would be the effect of the rent gradients becoming less steep? One of the assumptions made was that the amount of accommodation taken by tenants would be unaffected by these rating reforms; whereas it is certain that this would not be the case. The price, or the rent of house accommodation, would be reduced by the lowering of the tax on houses; and this lowering of price would cause an increase in the consumption. But this increase in the consumption would only mitigate the fall in rents; it would not altogether prevent it unless the demand for house accommodation were perfectly elastic, which is certainly not the case. Now we have seen, with this hypothetical restriction in force, that rents would fall everywhere as a result of these rating reforms; and it follows that, this hypothetical restriction being absent, this conclusion would remain true, though the fall would everywhere be lessened. We have seen that rents would fall most in the central districts; and this conclusion would also remain true unless the increase of consumption due to the lowering of rents mitigated the fall in rents to a more than proportionate extent

in the central districts as compared with the suburbs. There is, however, no reason to believe that this would be the case; the considerations already mentioned with reference to relative amount of land occupied by tenants in the suburbs and in the central districts point, in fact, in the opposite direction. Therefore the consideration of the greater demand for house accommodation consequent on the lowering of rents does not invalidate the conclusion that rent gradients would be rendered less steep by the rating of land values.

The second of our hypothetical conditions was that no migration could take place between the different parts of the town. The conclusion just arrived at, namely, that rent gradients would become less steep, is in fact equivalent to concluding that, this condition being absent, there would be an inflow of the population from the suburbs to the central districts. The result of this inflow would be that rents paid by the tenants in the centre would thus be increased, and those in the suburbs decreased, until the original gradient existing before the reform was nearly re-established. Tenants would, in fact, pay nearly the same amount as before for the advantages of the central situation, the demand being very elastic; and the ground rents paid by the tenants would everywhere be nearly similarly affected. The immediate movement of the population would be necessarily small; but the profit obtained by landlords from building would be diminished in the suburbs and increased in the centre until the equilibrium was permanently re-established.

The conclusion thus arrived at is that the population of the central districts of towns would be increased, and that that of the suburbs would be diminished by the rating of land values. But if quantitative results are desired, we are landed in the greatest difficulties, through which I have been able to see my way but very dimly. In all English towns with which I am acquainted I judge that a very large addition to the population of what may be called the inner half of the town might be made without breaking existing laws. A very large effect is therefore possible. The increase in the demand for house accommodation would do nothing towards preventing a congestion of bricks and mortar in the central districts, which is in itself an evil; but it might tend to check the inflow of the population from the suburbs by filling up the available space. It must, however, be remembered that better building, in the form of thicker walls, better fittings, concrete floors, &c., adds largely to the cost of houses without appreciably adding to the space occupied by them.

No doubt, however, the larger part of the additional demand for accommodation would take the form of a demand for additional space. But if we consider, for example, the case of comparatively low houses, with back yards or gardens, being replaced by high tenement buildings, it must be admitted that even a very large increase in the space demanded per head would only absorb but a small proportion of the additional room thus obtained; and the fact that there will be an increase in the demand does not falsify the conclusion that the rating of land values might, at all events, produce a large increase in the central population. Whether it would do so or not would obviously depend, amongst other things, on the amount of the rate transferred to sites from buildings, and on local conditions. If the demand for situation were absolutely elastic, each new house built in the central districts would merely draw a certain number of people inwards from the suburbs, without affecting the rent gradient. And if, as I believe, the demand for situation is, as a rule, very elastic, a very small tendency to change in the rent gradient is not inconsistent with a large resulting change in the distribution of the population. In fact, I can only say that, reviewing all these circumstances to the best of my ability, I am led, but with uncertain steps, to the conclusion that a considerable land value rate would, in some English towns, produce a very considerable increase in the congestion of the population in the central districts.

The tendencies here discussed, whether centrifugal or centripetal, are, moreover, cumulative in their effects. If a workshop or manufactory would be built in the central districts under one system of rating, and in the suburbs under another, the result would be to produce a corresponding effect on the relative demand for, and the supply of, houses in the two districts. These new houses, if in the inner ring, would increase the tendency for new shops there to appear, and possibly even for new manufactories; for producers find it an advantage to be near a copious supply of labour. Thus the tendency to crowd towards a centre would be increased with each result arising from that tendency. This secondary centripetal movement would be accompanied by a further relative diminution in the house room per head demanded by the inhabitants of the congested regions; and in these districts the benefits in the way of increased accommodation arising from the lowering of the *ad valorem* rate would thus be lessened, or even possibly obliterated.

Again, the speculative builder would consider what is the

probability of a rise in the near future in the value of the site on which he proposes to build, and, consequently, of any rate thereon. If he thought that such a rise was probable, he would place the houses closer together, and give them smaller gardens than he would have done if he had had no such anticipations; because, by such a concentration, a profitable investment would be obtained for a longer time. If builders are generally right in their forecasts, this tendency to concentration would be most operative in the directions in which towns will actually extend.

As a general reply to the foregoing arguments, it may be urged that, as most building takes place in the suburbs, there will be the region where any stimulus to building would most be felt; and that, consequently, a centrifugal tendency must be the result of land value rating. This contention is not, I think, valid. If in a given time, and in existing circumstances, there would be housed 100 new inhabitants in the outskirts, and 20 in the central districts; and if, after a change in the system of rating, the proportion would be as 80 to 40; then a relative concentration would be the result of that reform, although more buildings continued to be erected in the suburbs. The growth of a bush will be made more dense by any stimulus which increases the growth of the inner branches more than that of the outer branches, in spite of the fact that the outer branches continue to grow fastest.

In fact, the spreading of a town is best regarded as an organic growth, gradually increasing the organism from a centre outwards, and more or less controlled by artificial means. The character of the whole will depend on the character of the nucleus of growth, and on the degree in which the inner parts tend to get more compact whilst the outer parts extend. To encourage growth is admirable if it be encouraged in the right way. Economists have not, however, been sufficiently careful to distinguish between a stimulus to invest more capital on the same acreage, and a stimulus to invest the same capital per acre over more acres. The latter is the stimulus we mainly want, as producing the best nucleus of growth. But land value rating would also encourage more capital expenditure per acre in the centre; which would unfavourably affect the subsequent growth of the organism. In short, common sense tells us that ground rents are an indication that people wish to congregate round certain centres; and if any change were made, like the introduction of land value rating, which would make it both possible and probable that more house room would be provided

near these centres, common sense also tells us that full advantage would be taken of these possibilities. Suburban inhabitants would, it is true, have better house accommodation; but greater crowding would take place in the inner half of the town, an evil result which might or might not be outweighed by the advantages of better accommodation per head. The foregoing lengthy arguments merely confirm these dictates of common sense.

It may be urged, however, that I have assumed without proof that an increase in the number of persons inhabiting the central districts would be an evil, whilst I have admitted that the tendency to concentrate is a proof of the desire to concentrate. Would it not be wisest, it may be suggested, to let men live as they wish to live? This contention is, to a certain extent, valid; but it cannot be pushed to extremes, or it would point to the repeal of all legislation against overcrowding, and, indeed, to the abolition of all restraints. The desire of workmen to live near their work may, moreover, be satisfied by the works moving outwards rather than by the employees moving inwards. A concentration of manufactories is, at any rate, not what the poorer classes want.

No doubt, however, a proof of definite evil results is the only justification for any interference with the natural growth of a town. The concentration of places of business, including the *offices* of manufacturers, which are almost entirely occupied by the well-to-do classes, is, on the whole, an advantage. But I doubt if any further concentration, even of such buildings, would as a rule, be any considerable benefit. As regards both manufactories and workmen's dwellings, there is certainly an advantage to employers, and probably, therefore, some general economic advantage, in concentration and the resulting plentiful local supply of labour. Moreover, it is obviously an advantage for families to live near shops, and for employees to live near their work. This latter benefit may not, however, result from an increased congestion; because, if manufactories were themselves brought closer together, the average distance which the employees would have to travel to their work might be increased.

Against these benefits of concentration, certain very definite evils have to be weighed in the balance. A loss of health, comfort, and civilising influences results from any diminution of private garden accommodation, or of any other small private open spaces. The more storeys houses have, the more unhealthy will be the neighbourhood if the sunshine entering the

rooms is thus diminished ; and, in the absence of lifts, the more uncomfortable the dwellings will be to live in. In crowded cities the roadways and pavements are the only playgrounds near home for the children ; and, miserable as is this state of things, it would be made even worse if the crowd were denser. There is also, I think, a demoralising tendency inherent to a closer 'contact, between different families, even if the actual rooms occupied by each are larger. Many competent judges also believe that the air is materially more impure where the population per acre is greater ; though, in my opinion, this result is not clearly demonstrable. Balancing the evil arising directly from any concentration of the population against the previously discussed good results, I cannot doubt that the evil decidedly preponderates. And, if we take the cumulative results into consideration, this conclusion is even more certain. If, as the result of these cumulative tendencies in the central districts, the value of the land to the landlord would be actually increased, and if the accommodation of the tenants would actually be made worse, then every single evil result of congestion would be increased by the rating of land values. This is not a probable result ; but it is possible, and it should therefore be taken into consideration in framing our social policy. But, even altogether neglecting these cumulative tendencies, the results of any congestion of the population due to rating reforms would be an undoubted evil.

The effect of such reforms on the national wealth should also be considered. As we have already seen, ground value rating would cause more houses to be destroyed in the central districts, and fewer new houses to be built in the suburbs. But the necessary house accommodation would obviously be more cheaply supplied if new houses were built in the suburbs, and the old houses were left standing in the central districts. If this result is more probable under our present system of rating, it can only be a comparative loss to the nation, because some tenants are deprived of the possibility of moving towards the congested centres, a good it appears they would prefer to other goods. But if this good be one, like alcohol, the consumption of which may be restricted with advantage, then this consideration ought not to be allowed its full economic weight in striking the balance. Thus it appears that the rebuilding of houses, even if profitable, is not necessarily one of the beneficial results of this reform ; except, of course, in so far as the more modern accommodation thus supplied would add to health and comfort.

As a general reply to all these arguments against the rating

of land values, it may be urged that the resulting increase in congestion might be prevented by legislation. Prof. Marshall has suggested that a "fresh air rate" should be levied on ground values, and devoted to obviating the evils under consideration. With this proposal I have every sympathy; though possibly the results might be disappointing because of the difficulty of defining the objects and of enforcing the performance. But if the rating of land values be first adopted without any such safeguards, as seems likely, judging by recent Bills, their subsequent enactment would be difficult; because the new revenue would have been absorbed, and proposals to divert it to other uses would be resisted. If we agree with Prof. Marshall that, as regards open spaces, we are considering "the most important public financial responsibility which has not yet been faced"¹; ought we to support proposals for the rating of land values which omit to deal with this point?

But here I am dealing mainly with the effect of the proposed changes on the density of the population on the land not reserved for public uses; and a fresh air rate, as I understand the proposal, would not affect this question. In the centre of our large cities, especially in these days of steel construction, the size of houses is often limited by law and not by economic influences. Where this is the case, land value rating would do no harm in increasing concentration; and the increase in the rate on such houses would fall almost entirely on the owner of the site. The areas thus affected are, however, but small, comparatively speaking; and too much attention is apt to be directed to them because of their central position. The question for us is rather as to what legislation could effect outside these limited areas. Laws must be, as a rule, of general application; and any legislation dealing with building lines, width of streets, size of rooms, height of houses, and the private open spaces round them, which was not unduly restrictive in the congested centres, would be inoperative as a check against an increase of the population in the greater part of the town. Legislation would not act as a preventative against these evils of concentration until they had nearly reached the pitch obtaining in the worst districts.

In short, if our ideal town be one in which there is a concentration of high tenement buildings separated from each other by wide roads and interspersed with public open spaces, then building laws and fresh air rates may satisfy us. But if such

¹ Blue Book. Memoranda on Local Taxes, C. 9528, 1899, p. 124.

a dreary ideal be rejected, we should consider every possible cause of increased congestion with the view of finding effective remedies.

The general conclusions at which I arrive are, therefore, that land value rating would increase the concentration of our towns about their already congested centres; and that this would be an evil result, which would not be materially lessened by legislation. Surely, then, we ought to consider whether the benefits claimed for this reform cannot be obtained without these evil consequences? With this end in view there is much to be said in favour of levying a land value rate as an alternative rather than in addition to the existing rate.

LEONARD DARWIN

THE EVOLUTION OF AN INDUSTRIAL TOWN.

WITH very few exceptions, the towns which have played a conspicuous part in English history prior to the eighteenth century have, since the Industrial Revolution, sunk into actual or relative insignificance.

Of the few exceptions, Coventry is one, and it is this circumstance which makes an inquiry into her position on the threshold of the twentieth century so rewarding. This theatre of legendary romance, distinguished by the survival of mediæval customs, of institutions dating from the English renaissance, and of seventeenth-century manufactures, is also the chief seat of England's latest born industry, and boasts a population advancing by leaps and bounds.

The causes which led to the original introduction of manufactures into a town situated in the midst of an agricultural district, far from the sea coast, destitute of waterways, whose sole advantage as a seat of trade would appear to have lain in its situation upon the grand trunk road of the kingdom, are somewhat obscure. Perhaps the chief inducement was the relative security from pillage or oppression enjoyed by the city under the double guarantee of a charter from Edward the Third, and of its own massive fortifications. In the fifteenth century a busy trade was already being carried on in the making of camisoles, kerseys, and other antique forms of woollen cloth. A few Huguenot refugees are said to have settled in Coventry shortly after the revocation of the Edict of Nantes in 1685. As soon as steam came into use as a motive power, the near neighbourhood of the Warwickshire coalfield at once designated Coventry as a manufacturing centre, and a canal, opened in 1769, expedited the carriage of the mineral.

The city was, no doubt, one of the four towns mentioned by Macaulay as possessing at least ten thousand inhabitants at the opening year of his history, for they were reckoned at 9,500 in 1643. In the first census year the population was 16,049,

and in 1901, just after the absorption of an outlying suburb, it was 69,978. It was shown by a local investigation carried out in May, 1906, to have then grown to 83,792, and is estimated to exceed 87,000 at the present time. The city covers an area of over six square miles. Flats are as yet unknown, and there are very few tenement houses, although these are on the increase, owing to the rapid influx of population. The number of inhabitants per acre only slightly exceeds twenty, as against thirty-six in Hampstead, London's most favoured suburb. According to the general census, three-fifths of the tenements consist of five rooms and upwards, and only 4.77 of the population live under conditions of overcrowding, *i.e.*, with more than two inmates to a room. This proportion compares very favourably with Birmingham's 10 per cent. and London's 16.1 per cent. The amount of overcrowding is probably here somewhat understated, and the local investigation of last year showed that overcrowding prevailed amongst 5.3 per cent. of the inhabitants. Although the city is growing at the rate of 800 or 1,000 houses a year, builders of small house property cannot keep pace with the demand. Numbers of workmen lodge in the town during the week, and return to their homes within a radius of twenty or thirty miles for Sundays. Such men would not figure in the general census returns, but only in those of the local investigation, which was held on a Wednesday on purpose to include cases of this kind. Some of the increase is thus accounted for.

The town is surrounded on all sides except the north-east by an entirely rural environment of pleasantly wooded undulating country. On the north-east, it gradually thins out into a semi-urban district surrounding the collieries of Bedworth, and stretching towards Nuncaton. This neighbourhood embraces much of the scenery of George Eliot's earlier novels. Immediately on the southern outskirts lie stretches of open common land. The atmosphere is clearer than is usual in manufacturing centres, owing to the extensive use of gas-engines in the factories, which produce little smoke.

Thus the absence of flats and tenements, and apparently of the intenser forms of overcrowding, combined with ready accessibility to the open country and with uncontaminated air, all makes for wholesome environment and healthy life. On fine Sundays and early closing days, streams of cyclists of every class are to be met with in the roads and shady lanes leading out of the town.

There is a debit side to the account, however. The picturesque and the antique too often exact a penalty. The centre of the city is composed of narrow lanes of houses, many of them of the timber-framed mediæval type, with projecting upper stories which shut out the sun's rays from the lower rooms and even from the streets. Every here and there peeps out an old school or almshouse, such as Ford's Hospital, or a bit of the ancient city wall. Round this mediæval core is a zone of dingy red brick streets dating from the late eighteenth and early nineteenth centuries, and designed according to the usual domestic architecture of that pre-sanitary and antiæsthetic period. The large upstairs windows characterising many of these houses are a survival from the golden age of the silk industry, when the looms were placed on the upper floor so as to obtain light for the weavers to work in, the dwelling rooms being underneath.

A false economy has too often utilised the plots of ground behind these houses for erecting courts of from two or three to a dozen or more cottages, built back to back, with no means of through ventilation. This description does not apply to all the courts, of which there still remain nearly three hundred, though several have been pulled down. A number are really small squares rather than courts. Many of these courts accommodate much the same class of respectable artisans as do the streets out of which they open, though others serve as a catch-all for the dregs of the population. Here and there rents are very high, exceeding three shillings a room. Generally speaking, however, rents for working-class dwellings average about one shilling and threepence a room. New five-roomed houses let at six shillings a week and upwards. The Corporation is about to erect some houses of this type, and a few containing two flats each.

Till a few years ago, the drainage was defective. An insignificant stream called the Sherbourne crawls through the town, and into this inadequate channel the sewage of the city was discharged, to become a nuisance and sometimes a source of disease to the villages lower down in its course, and of litigation to the Corporation. A sewage farm is now in operation at Baginton, three miles from the city.

As a whole, however, Coventry is a fairly healthy town. The average corrected death-rate for ten years ending 1906 was 16·38, and the infantile death-rate was 141. For a population of town artisans, the latter is not very high, and the health visitor states that, so far as her experience goes, about two-thirds of the infants are entirely breast-fed. The birth-rate has declined from an

average of 29·7 for the decade to 28·8 last year, and the marriage-rate declined still more rapidly till last year, when it rose to 19·1. Dearth of house accommodation may have acted as a check. In view of the recognised connection between birth-rates and infantile mortality on the one side, and the employment of married women in factories on the other, it may here be mentioned that Coventry compares favourably with many other manufacturing towns in this respect. It was recently ascertained that only 388 out of 5,149 females engaged in 65 factories in the town were married women, and the percentage of wives and widows in employment between the ages of 25 and 35 for Coventry is only 9·9. In Nottingham it is 21·2, and for Blackburn 53·5.

The superabundance of a youthful element among the population, not a common feature in our older towns, no doubt lowers the death-rate. The distribution of the population in age-groups appears in the following table :—

TABLE A.—DISTRIBUTION OF POPULATION ACCORDING TO AGES.

Age-group.	Per thousand of population of	
	England and Wales.	Coventry.
Under 5	114·2	122
5 to 10	107·2	106
10 „ 15	102·7	98·7
15 „ 20	99·7	100·9
20 „ 25	95·9	99·4
25 „ 35	161·5	190·9
35 „ 45	122·8	119·9
45 „ 55	89·2	82·2
55 „ 65	59·7	54·4
65 „ 75	33·0	32·6
75 „ 85	12·0	12·1
85 and upwards	1·5	1·4

Only 51·59 per cent. are females. This proportion is less than that for the whole kingdom, or for many of our large towns, including Birmingham, which Coventry in some respects resembles. The causes are no doubt the absence of any large wealthy residential class, and the growth of metal trades which afford little scope for women's labour.

That Coventry is a city of artisans and the smaller middle class is indicated by several symptoms besides the appearance of the streets, thronged with sudden swarms of factory hands as the dinner hour booms from the clock tower. First, there is the paucity of female domestic servants. The proportion which this useful class bears to a community offers a fairly good index to the standard of comfort attained in that community. In Hampstead there are eighty to every hundred householders, in West Ham only nine, and in Birmingham eleven. In

Coventry the proportion is just under eleven, and female domestics form only 24·5 per thousand of the population.

A second piece of evidence lies in the very large proportion of boys and girls in their fifteenth year who are already earning wages. It is 79·5 per cent. of the boys and 62·4 of the girls. Such high figures are equalled by very few large towns outside the great textile centres. For the metropolis the corresponding percentages are only 60·1 and 33·0.

A third indication is given by the small proportion of males who are unoccupied or retired, or whom the census describes as engaged in Class III., "Professional occupations and their subordinate services." Among a thousand males above the age of ten, 138 are unoccupied or retired, and 18·7 belong to Class III. In this respect Coventry is on a level with Birmingham and some of the industrial centres of Staffordshire and Lancashire. By way of contrast, Bournemouth shows 240 per thousand as unoccupied, and London 39 as belonging to professions.

At the other end of the social scale, Coventry is happy in possessing less than the average, for large towns, of men of the building and general or undefined labouring class, which too often means that stratum of casual labour whence the exploited and the unemployable are chiefly recruited.

Another department of industry which is rather scantily represented is that of transport. Only one railway company's line passes through the city, there is only one large station, and, though a couple of branch lines run out from it, it is not a junction of much importance; therefore the railway staff is small. Neither are there as many carmen as in most commercial centres. Thus it is that only 3·8 per cent. of males above the age of ten are engaged in transport, and the proportion of coachmen and cabmen is only three-quarters that of Birmingham. Indeed, the city is heavily handicapped through the absence of railway facilities commensurate to her growing size and trade. In order to save a few miles between the Yorkshire coalfields and the metropolis, the Great Central has driven its line through the little town of Rugby. It would have done better, possibly, for its shareholders if it had tapped the traffic of Coventry. In the production and distribution of clothing the proportion of those engaged are 2·56 per cent. of males and 4·16 of females. For the supply of food, drink, and lodging the percentages are 6·11 and 2·09. These are all somewhat below the proportions for England and Wales, one reason being that

the borough is not a centre for big breweries or for the production of artificial food-stuffs, such as cocoa or jam, requiring the services of many hands. The market to be supplied is mainly that of the place itself, and the surrounding thinly-populated rural districts.

On the whole, then, Coventry may be described as a productive and not as a distributive centre.

It has long held this position. It was one of the centres of the English cloth and worsted industries of the later middle ages, when the proverb "As true as Coventry blue" paid a compliment to the quality of the local dyes, and several of the trade guilds connected with them and founded during that period still survive. Of these, the Drapers' Company, dating from Edward the Second's reign, is perhaps the most flourishing. Its property yielded £200 a year in 1832, when its present hall was built. The Mercers' and the Fullers' Companies are still in existence, although the latter would probably have become extinct half a century ago had not its sole surviving member, in 1860, nominated seven others. The oldest of all, the Bakers' Company, dating from 1205, is represented by the Master Bakers' Association of to-day, the inheritors of its block.

Since the fifteenth century Coventry has suffered from recurrent spells of depression arising from the decay of her staple manufactures, and marked by a temporary loss of population, and eras of prosperity wafted in by the introduction of new industries better adapted to the requirements of contemporary society. Of the latter periods, the first half of the eighteenth century, and the last twenty years, have been the most conspicuous. Watchmaking and the manufacture of silk and ribbon took their rise at the earlier date, when the manufacture of cloth was approaching extinction. The only reason why they should have sprung up in Coventry rather than in such other Midland towns as Leicester or Northampton would seem to be that among the Coventry people there was a group of operatives already accustomed to working in common. Still, it was probably in some measure a matter of chance. The seat of manufactures of imported material, such as silk, says Adam Smith, "as they are generally introduced by the scheme and project of a few individuals, is sometimes established in a maritime city, and sometimes in an inland town, according as their interest, judgment, or caprice happen to determine." Possibly the opportunities for borrowing capital on easy terms, placed within reach of the enterprising and energetic by the loan chari-

ties (estimated to have advanced £3,000 in 1690), may have acted as an incentive.

Watchmaking dates from 1710, and appears to have been pursued with success, since the mayor for the year 1727 was chosen from the members of that craft. It continued to be one of the two staple trades for more than a century. In 1861 there were 90 manufacturers, employing 1,250 journeymen, 667 apprentices, and only 30 females. But the competition of the Continent and the supersession of manual dexterity by the adoption of machinery had already set in, and the palmy days of the craft were over. Yet 2,600 persons described themselves as engaged in its many subdivisions in 1901.

The rise and decline of the other staple, namely, silk, has been contemporaneous. First attempted in 1696, shortly after the flood-tide of Huguenot immigration had set in, in 1746 it had become so flourishing that a single citizen, one Thomas Bird, is described as giving employment to two thousand hands. Not all of these, probably, were dwellers within the town itself, for in 1818, when 2,260 power-looms and 1,008 hand-looms were running, out of 13,000 weavers, winders, warpers, and others employed, 8,000 are described as belonging to the vicinity. Eight years later, on the occasion of a parliamentary inquiry, 120 ribbon-manufacturing firms claimed to find employment for 20,000 persons. Changes in fashion, together with foreign competition, favoured by the commercial treaty with France, subsequently reduced the demand for the finished article to such an extent that only twenty firms remained in the business in 1869. The industry was very largely a domestic one pursued in the operatives' own homes. These last were often built in terraces in order that the power from a single engine might be available for the looms in a number of houses.

Owing to the causes above-mentioned, the depression and consequent distress was so great in 1861 that a relief fund amounting to £40,000 was raised. Notwithstanding this measure, the distress was intense enough to leave its mark on the census records. So many bread-winners had to go further afield in search of a livelihood that the population had declined by 7 per cent. in 1871, or from 40,396 to 37,670.

At the same time, initiative in planning novel productions and processes has not been wanting among the citizens. The introduction of the Jacquard loom and of interweaving words and pictures in colours in ribbons helped to stave off the evil day. In 1862 the production of elastic webbing was first under-

taken, and is still carried on by half-a-dozen firms. The manufacture of sewing machines was taken up about 1870, but within a few years had been superseded by that of the newly-invented cycle. Not only the human but even the mechanical portion of the equipment of the sewing-machine factories was adapted, so far as possible, to the processes of the dawning industry. At the present moment the great cycle companies, of which one, the Rudge-Whitworth, alone employs 1,800 hands, are taking up the manufacture of motors as quickly as the necessary appliances can be set up. Thousands of hands will probably find employment in the ordnance works newly established by Messrs. Cammell, of Sheffield.

At the same time, the inherited industries have still their representatives among the industries of to-day. The Leigh Mills spin worsted; several ribbon and silk-dyeing works are in operation; and several firms and companies, a co-operative society among them, manufacture watches. For the rest, the census classification of ages in combination with occupation is eloquent of the passing of Coventry from a textile to a machine-producing centre. The annexed table brings out this fact clearly.

It shows us that, of all the occupied males in Coventry, those between the ages of ten and twenty-five form 32·6 per cent., or almost one-third, and those above the age of forty-five form 23·4 per cent., or less than a quarter. In the case of females, single, married, and widows included, the percentages at the same ages are 57·6 and 15·8 respectively. So far as males are concerned, the age-grouping in the building trades is not materially different from that in all employments taken collectively. This trade is selected for comparison because it comprises a large section of the population, and because the conditions obtaining in it are fairly stable, and have been undisturbed by such changes as an influx of female labour, or the introduction of new motive power or processes, to any great extent. It has supported a comparatively uniform proportion of the male population, oscillating during the twenty years, 1881-1901, between 82 and 93 per thousand. So it may fairly be taken, in conjunction with the total population, as fixing a standard of normal age-distribution.

A sharp contrast is offered by the metal and machine and cycle-making industries. For these, lads and young men below the age of twenty-five make up more than two-fifths of the army of employees. Even in the older industry of engineering,

watchmaker is applied to those who deal in that article as freely as to those who make the parts or put them together. As a matter of fact, however, there are not above two dozen watch-shops in the whole town, so that the preponderance of the elderly exists among the mechanics themselves quite independently of the dealers.

This characteristic is yet more strongly marked when we turn to the textile industry, and especially to the silk-weaving branch which forms its most important section. In this department the men over forty-five are nearly as ten to one of those under twenty-five, and even in the newer textile trades which are taking its place they are more than double. However, the textile is a notoriously feminine art, and the number of females engaged in it far exceeds that of males. But among the former also we find that the elderly, and also the married and widowed, though they do not preponderate, form a far larger fraction among silk weavers than in any other non-domestic occupation.

So far as these weavers are concerned, their displacement would seem to result from a decline in the demand for the article they produce, although, as we have seen, the ribbon industry is not dead.

With the watch trade it is otherwise. In this case change of fashion is out of the question. The article supplied was never more indispensable than to-day. But, in order to retain their business, manufacturers have been compelled to alter their methods, and to substitute power-driven machinery in the place of manual tools. At the same time, a number of girls and young women are being taken on.

The watch trade in Coventry is in this peculiar position. On the one hand, it is an apprenticeship trade. To have served an apprenticeship gives a title to the freedom of the city. This is no empty honour. The freemen, who number about three thousand, possess in their corporate right certain lands and invested property. From the resulting revenues a fund, known as the "Freemen's Seniority Fund," has been established, out of which allowances are annually made to decayed freemen. Journeymen in the watch trade, having served an apprenticeship, have therefore a claim on the Seniority Fund. While a privilege of this kind must tend to retain men in the trade, or at least in the town, there is another cause, besides the adoption of mechanical processes and of girl-labour, which operates in the contrary direction. During the latter stages of his apprenticeship a lad is earning a paltry four shillings a week at an

age when, with like perseverance, he could be earning a pound or more as a mechanic.

Formerly, the old trades were largely hereditary, the son being apprenticed to his father, but, for the reason just stated, this custom is giving way. Apprenticeship even here is dying out. Numbers of the quicker and more intelligent men, especially among the younger hands, are leaving the watch trade and going into cycle, motor, and engineering workshops, where apprenticeship is unknown. They go in the first instance as labourers, but in this position they are very soon able to qualify themselves as skilled mechanics. The classes in the local technical school, which is a very well equipped institution, are helpful here. Of course the older men are at a disadvantage when they cannot find berths as time-keepers, insurance agents, and in similar situations. They have to turn to unskilled labour, at any rate until age entitles them to claim an allowance.

We have seen that the ranks in the modern trades are fed from the young. The recruits are drawn from outside as well as from the rising generation of the townsfolk. How many of its present inhabitants are indigenous to the city itself cannot be stated. In 1901, 21·5 per cent. of the males and almost exactly one-fifth of the females had come from outside the shire itself. Among the residue natives of Birmingham and of rural Warwickshire would probably run into several thousands. There is no large colony of foreign-born persons at present. The number of births occurring between 1901 and 1906 was somewhat above eleven thousand. The additional three thousand required to bring up the population to its ascertained number on May 23rd, 1906, must therefore have been supplied by immigration.

The Town Council has established a Labour Bureau, situated just outside the market in the middle of the town. Applications are made in person by quite a number of decent men of not at all the unemployable class, some of them cycling in from ten or fifteen miles round. In a list of applications just received the present writer noticed that Birmingham, Rugby (where a big engineering firm was slack at the time), London, and Leicester contributed the greater part, in the order stated. By canvassing among the leading firms the official in charge is able to find the men situations as skilled mechanics, and not merely as unskilled labourers, and the men, unless they leave to better themselves, generally continue in the positions found for them. At the beginning of this year nearly 500 names were on the books of the Bureau, but they had dropped to 300 by the end of January.

During last March 124 workpeople applied, 78 situations were offered by employers, and 70 men were found work. With some of the principal firms the Bureau is connected by telephone.

Compared with other Midland towns, wages are good. In some branches of the metal trades they are a halfpenny higher than in Birmingham. The briskness of the building operations has led to an agitation this spring for an advance. The matter has gone before the Board of Trade arbitrator, who has decided against any alteration in the present scale, according to which labourers receive 6*d.*, carpenters 8*d.*, and plumbers 9*d.* an hour. Thus the standard price of the *main d'œuvre*, or unspecialised manual labour, is fixed at sixpence an hour.

Although callings are less frequently inherited now than in past times, the custom seems still to cling to its old haunts. If we trace some of the less common names we shall probably find that between a quarter and half of them belong to persons who follow the same occupation. Six out of eighteen persons named Marston are in the silk trade. Five out of six Finches are gardeners; four out of eight Norths, five out of ten Players, and seven out of twenty-three Eaves are watchmakers, and, what is more significant, four out of seventeen Satchwells and six out of twenty Worralls are engaged in one department of that trade, and are watch-dial makers. The inference is strong that the bearers of the same name are related.

So, too, certain occupations affect certain localities and certain thoroughfares. Twelve out of nineteen residents in Boston Place are weavers. In Brook Street live five weavers all in a row. Half the occupants of a street will frequently turn out to be machinists. The south-west is the watchmakers' quarter. There are forty watch hands in one street of ninety-one houses, and twenty-five in another of ninety-five houses, and so on. For a quarter or a third of the residents in many streets in this district to be engaged in the watch trade is quite usual. Saxon-sounding names, such as Oswin, crop up here and there, and there are twenty-one families of Shakespeares. The surnames of nearly all Coventry's many benefactors of the sixteenth and seventeenth centuries survive among the present citizens.

To attempt even a brief survey of the mass of endowed charities, the accumulation of centuries, for which Coventry is famous, would form a story by itself. But they must not be entirely passed over without reference, because there can be little doubt that, taken in conjunction with the Freeman's Seniority Fund already mentioned, they tend to mitigate the distress

occasioned among elderly operatives by changes in trade and in industrial processes, to which, as we have seen, Coventry has been peculiarly subject. Including pension charities, but not including the Freemen's Seniority Fund, which is not a charity in the ordinary acceptation of the term, the amount distributed to beneficiaries by the endowed charities of the city cannot fall far short of £7,000 per annum.

This view receives support from the Poor Law returns, which indicate that the extent of pauperism in Coventry is much below the level of other large towns and of England as a whole.

C. H. D'E. LEPPINGTON

SOCIAL IMPROVEMENT IN THE LIGHT OF MODERN BIOLOGY.

DURING the last six or seven years great progress has been made in the study of heredity among plants and animals. In 1900 the principles enunciated by Gregor Mendel nearly forty years earlier were rediscovered, and since that time, through the labours of Mr. Bateson and other biologists, they have been successfully applied to the solution of many hitherto intractable problems. Two books of a popular character describing the progress made have recently been published by enthusiastic workers in this field, Mr. Punnett¹ and Mr. R. H. Lock.² The general drift of modern doctrine has in this way been rendered easily accessible to laymen and, among others, to those who study, with a view, if possible, to improving the conditions of social life. The question I propose to raise in this article is, What light does biological science in its present stage of development throw upon their special problem?

That question the biologist himself has not only already asked, but is already tentatively endeavouring to answer. At the close both of Mr. Punnett's and of Mr. Lock's books it is suggested, in no uncertain terms, that the whole point of view from which social reform is at present regarded is mistaken. Hygiene and education, the panacea of the popular politician, are, suggests Mr. Punnett, "fleeting palliatives at best, which, in postponing, but augment the difficulties they profess to solve. . . . Permanent progress is a question of breeding rather than of pedagogics; a matter of gametes, not of training."³ Mr. Lock is even more emphatic; and the views of these writers on the practical, though not, of course, on the theoretical, side are substantially in agreement with those of Professor Karl Pearson.

Now, opinions of this order expressed by scientific workers

¹ *Mendelism*, by R. C. Punnett.

² *Recent progress in the study of Variation, Heredity and Evolution*, by R. H. Lock.

³ *Mendelism*, p. 81.

are necessarily of great interest, and demand careful attention. It is well, however, to beware of too great deference to authority. There is a region in which the biologist is master; but there is another in which he is merely fellow-student. When he seeks to apply biological knowledge to social questions, it is in the latter, and not in the former, capacity that he is speaking. For, while in respect of these questions biology furnishes some essential data, there are other data, no less essential, which it does not furnish. It is not, therefore, to the biologist as such, but rather to the student of society, that the duty falls of gathering these data together, of relating them to one another, and of evolving from the whole some light and guidance for statesmanship. It is for that reason, and not with any design of intruding amateur opinions upon the domain of biology proper, that I am venturing to submit the considerations that follow.

At the outset one important line of demarcation may be laid down. The search for ways of social amelioration is a mixed problem of ends and means. It involves the questions: *both* what kind of society is good, either absolutely or relatively, to some other kind, *and* by what means is the desired kind of society most likely to be brought about. The former of these questions is wholly ethical. It turns exclusively upon the determination of values. No positive science, whether it be economics, chemistry, physics, biology, or any other, touches it in the smallest degree. Positive science tells us what effects given causes tend to produce; it does not tell us what effects are good. Before the social reformer calls biology to his aid he must have decided on quite other grounds at what end he desires to aim. The help biology affords him is of necessity confined to the question of means.

Suppose, then, that the social reformer has decided what kind of society he wishes to produce. His reference to biology will concern three points: first, can the qualities of subsequent generations be improved by changes in the environment of the present generation, unaccompanied by any other change; secondly, can they be improved by changes in respect of parentage, unaccompanied by any other change; thirdly, in actual practice, when these two classes of change cannot be really separated, what course ought a statesman to pursue?

I.

The answer to the first of these questions turns in part upon the old problem of the inheritance of acquired characteristics.

The dominant view at the present time appears to be that the germ-cells that will ultimately form the offspring of a living being are distinct at the outset from those that will form the body of that being. "It is a reversal of the true point of view to regard inheritance as taking place from the body of the parent to that of the child. The child inherits from the parent *germ-cell*, not from the parent body, and the germ-cell owes its characteristics, not to the body which bears it, but to its descent from a pre-existing germ-cell of the same kind. Thus the body is, as it were, an off-shoot from the germ-cell. As far as inheritance is concerned, the body is merely the carrier of the germ-cells which are held in trust for coming generations."¹ If this view be sound, it would appear that those definite characteristics of an organism whose appearance is determined by the presence of definite structures or substances in the germ-cells cannot be directly affected by ancestral environment. It is only characteristics of an indefinite quantitative kind, such as may be supposed to arise from the intercommunication of the germ-cells with the other cells of the body and the reception of fluid or easily soluble substances from them, that can be affected in this way. It is the dominant view among biologists that this latter class of characteristics is, relatively to the other, of small importance.² Whether or not the *variability*, *i.e.*, tendency to spontaneous variation, in the germ-cells themselves, is affected by environment is a question in regard to which little is at present known.

The general bearing of the theory I have been describing upon our problem is sufficiently plain. It shows that the *original properties* of a child are not likely to be affected to any important extent by the circumstances in which the parents' lives have been passed. "Education is to man what manure is to the pea. The educated are in themselves the better for it, but their experience will alter not one jot the irrevocable nature of their offspring."³ And "Neglect, poverty, and parental ignorance, serious as their results are, (do not) possess any marked hereditary effect."⁴

So much is biological fact; and, up to this point, the sociologist is silent. When, however, Mr. Punnett and others proceed

¹ Wilson, *The Cell in Development and Inheritance*, p. 13; quoted by R. H. Lock (p. 68).

² Lock, *Variation and Heredity*, pp. 69 and 70.

³ *Mendelism*, p. 81.

⁴ Eichholz. Evidence to the Committee on Physical Deterioration, Report, p. 14. Cf. *ib.* p. 46. Dr. Eichholz's view appears to be formed *a posteriori*; and not to be an inference from general biological principles.

to the inference that permanent progress is a matter of gametes and breeding, and cannot be brought about in any other way,¹ they have entered the field of general philosophy, and the task of criticism begins. The central point is this. *The entity which biology declares to be unaffected by ancestral environment is a different entity from that to which the conception of progress applies.* The original properties of the next generation are determined by the nature of the germ-cells that produce them, but the goodness to which the social reformer looks is goodness of concrete men and women and not of original properties. In the formation of these concrete persons original properties do, indeed, play a part, but not a predominant part. Other elements are also of great importance, and among them ancestral environment is included.

It is included in two ways. First, it acts directly. The environment of the mother during pregnancy is environment also for her unborn child. There are acquired diseases of the mother by which, apart altogether from original properties, the embryo in the womb can be infected. There are strains to which the mother can be subjected, in factory work and so on, through which its character can be greatly modified. In short, as medical men are every day declaring, the circumstances of the mother, during the pre-natal life of the child, may exercise an enormous influence upon his future well-being.

But ancestral environment also acts indirectly. It is obvious that the current environment actually enjoyed by a living being co-operates with his original properties to form the sum of his qualities. Ancestral environment plays a part because it reacts upon current environment. Though education cannot influence new births in the physical world, it can influence them in the world of ideas²; and ideas, once produced or once accepted by

¹ Cf. *Mendelism*, p. 70.

² An interesting comparison can be made between the process of evolution in these two worlds. In both we find three elements, the occurrence of, propagation of and conflict between mutations.

In both worlds the kind of mutations that occur appear to be fortuitous, and cannot be controlled, though in both it is sometimes suggested that the tendency to mutate is encouraged by large changes, and particular kinds, of environment. In both with every increase of variability the chance that a "good" mutation will occur is increased. Hence, *ceteris paribus*, environment that makes for variability is a means to good. Thus, of local government, Professor Marshall writes: "All power of variation that is consistent with order and economy of administration is an almost unmixed good. The prospects of progress are increased by the multiplicity of parallel experiments and the intercommunion of ideas between many people, each of whom has some opportunity of testing practically the value of his own suggestions." (*Mem. to Commission on Local Taxation*, p. 123. Cf.

a particular generation, whether or not they can be materialised into mechanical inventions, may remodel from its very base the environment which succeeding generations enjoy. Nor are these reactions confined to ideas. "Any change that affords to the workers of one generation better earnings, together with better opportunities of developing their best qualities, will increase the material and moral advantages which they have the power to offer to their children; while, by increasing their own intelligence, wisdom, and forethought, such a change will also to some extent increase their willingness to sacrifice their own pleasures for the well-being of their children."¹ Those children, in turn, being themselves rendered stronger and more intelligent, will be able, when they grow up, to offer a better environment to their children, and so on. The effect goes on piling itself up. Changes in ancestral environment start forces which modify continuously and cumulatively the conditions of succeeding environments, and through them the human qualities for which current environment is in part responsible. Hence, Mr. Punnett's assertion is unduly sweeping. Progress—not merely permanent, but growing—*can* be brought about by methods of social reform with which breeding and gametes have nothing whatever to do.

II.

The second question that I distinguished was: Can the qualities of subsequent generations be improved by changes in respect of parentage unaccompanied by any other change? There is no doubt about the fact that characteristics of parents which have not been acquired—natural endowments, so to speak—do tend to be inherited. That this is the case is a fundamental principle of the Mendelian school, and it is confirmed by the statistical investigations of Professor Karl Pearson and his

also Booth, *Industry*, V., p. 86, and Hobhouse, *Democracy and Reaction*, pp. 121—3).

The *propagation* of mutations, on the other hand, does not proceed in the same way among ideas as among organisms. Among the latter the fertility of mutated members is not, but among the former it is, affected by their adaptation or otherwise to successful struggle. Animals that are failures and those that are successes are equally likely to have offspring. But among ideas, those that fail are likely to be barren, and those that succeed to be prolific.

Still more marked is the difference between the character of the *struggle* that takes place between mutated members in the two groups. In the physical world the process is negative; the failures are cut off. In the world of ideas it is positive; successful ideas are adopted and imitated. It is for this reason that a successful experiment diffuses itself so much more rapidly than a successful "sport."

¹ Marshall, *Principles of Economics*, 645.

followers.¹ Our question, therefore, resolves itself into one of practice: is our knowledge sufficient to enable this fact to be successfully utilised for purposes of social improvement? Man is the most complex of animals, and the study of inheritance in man, particularly on the mental side, has not been carried far. It is difficult in the concrete to distinguish characteristics which have been from those which have not been acquired. The task of determining what are "unit characters" in regard to human qualities has scarcely been touched; and on the problem how far different unit characters are or may be correlated practically nothing has been done. We are thus surrounded by so much ignorance that the utmost caution is essential. Mr. Doncaster has well observed: "In this direction empirical rules and common sense must still be followed, until the time shall come when science can speak with no uncertain voice."² More recently Dr. Galton has lent the weight of his authority to this opinion: "Enough is already known to those who have studied the question to leave no doubt in their minds about the general results, but not enough is quantitatively known to justify legislation or other action except in extreme cases."³

This does not mean, however, that no use at all should be made of the knowledge that we already possess. There *are* extreme cases. Not a few medical men are urging that propagation among the obviously unfit, those afflicted with definite hereditary taints, the imbeciles, the idiotic, the sufferers from syphilis and tuberculosis, should be authoritatively restrained. No doubt our procedure in the matter should be rigorously guarded. But occasions frequently arise when such tainted persons, whether on account of crime or of dementia, are compulsorily passed into governmental institutions. It appears that sterilisation can be affected in either sex by a simple operation that carries few incidental ill-effects.⁴ Has not the time come when, with due safeguards and under proper restrictions, this method of social improvement could be recognised and employed?

¹ An interesting enquiry into the inheritance of ability as indicated by the Oxford class lists and the School lists of Harrow and Charterhouse has recently been published by Professor Schuster (Duloh and Company, 1907). It should be observed that the value of his results is in some measure—it is not possible to say in *what* measure—impaired by the fact that the possession of able parents is apt to be correlated with the reception of a good formal and, still more, informal education. Professor Schuster argues (p. 23) that the error due to this circumstance is not likely to be large. (Cf. also Karl Pearson, *Biometrika*, Vol. III. p. 156.)

² *Independent Review*, May, 1906, p. 183.

³ *Probability the Basis of Eugenics*, p. 29.

⁴ Cf. R. R. Rentoul, M.D., *Race Culture or Race Suicide*, Chapter XX.

III.

In the last paragraph I have trespassed somewhat upon the ground covered by my third question, the general question, namely, of right governmental action. There is, however, much more to be said under that head. First, it will be well to set out the dominant factor in the present situation. This has often been expressed in general terms. It is illustrated in detail by Mr. Heron's recent statistical enquiry with regard to the Metropolis. Selecting various districts, he found the correlation between the number of births per 100 wives and various indices of social status. The indices chosen were the proportion of occupied males engaged in professional occupations, the number of female domestic servants per 100 families, the number of general labourers per 1,000 males, the proportion of the population living more than two in a room, and the number of paupers and of lunatics per 1,000 of the population. In every case a low index of prosperity and a high birth-rate were found to go together. Against this result there had to be set the fact that a low index of prosperity was also accompanied by a high rate of infant mortality. Investigation, however, showed that the excess of mortality was not sufficient to balance the excess of births; and the conclusion emerged that "The wives in the districts of least prosperity and culture have the largest families, and the morally and socially lowest classes in the community are those which are reproducing themselves with the greatest rapidity." Furthermore, a comparison between the conditions of 1851 and 1901 brought out the startling fact "that the intensity of this relationship has almost doubled in the fifty years."¹

It is important to see to what precisely these facts amount. The sum and substance of them is that the so-called lower classes are reproducing their kind as compared with the higher classes to an extent much more than proportionate to their numbers. This is true of male and female parents equally, for, of course, each

¹ *The Relation of Fertility in Man to Social Status*, pp. 15 and 19. In the case of the United Kingdom it is necessary to add to these tendencies the selective influence of migration. Our immigration laws being less severe than those of most countries, the less fit of the world's emigrants are tempted to come to England, while only the more fit among Englishmen find it easy to migrate elsewhere. (Cf. Rentoul, *Race Culture or Race Suicide*, p. 102.) From a patriotic point of view this is, of course, regrettable; and, from a more general point of view, it might be argued—by a patriot—that the good of the world is diminished when the best people go to countries which have not the best governmental institutions.

class tends to marry within itself. It has still, however, to be decided to what extent evil consequences are involved. On one point, indeed, there can be no doubt. So far as children born among the lower classes are moulded into finished persons by a relatively bad environment, it is bad for the community that the proportions so born should grow. This injury, however, is mitigated, and might conceivably be removed, by State action designed to better the dwellings, food, education, and training enjoyed by poor children. We are thus driven to a second point. Does a relatively high rate of reproduction among the lower classes necessarily imply such a rate among bad original properties? If it does so the evil is evident, for, as we have seen, the quality of finished persons partly depends upon their original properties. But is there reason to believe that bad original properties and poverty are closely correlated? Extreme poverty is, no doubt, often the result of feckless character, physical infirmity, and other bad qualities of finished persons. But these themselves are correlated with bad environment in childhood. Is there any proof that that correlation is inadequate to account for the facts? Is it certain that the original properties of the poor as a whole are worse than those of the rich?

That this difficult question ought to be answered in the affirmative is frequently assumed without an attempt at argument. That such a course is unwarranted I am fully persuaded. Nevertheless, a tentative affirmative answer seems to me correct. For, if we consider the matter, it is apparent that among the relatively rich are many persons who have risen from a poor environment, which their fellows, who have remained poor, shared with them in childhood. Among the original properties of these relatively rich presumably there are qualities which account for their rise. A relatively high reproductive rate *among those who have remained poor* implies, in a measure, the breeding out of these qualities. It implies, in fact, a form of selection that discriminates against the original properties that promote economic success. How far the qualities based on these original properties are *good in themselves* seems to me doubtful. But they are certainly a means to good. By adding to wealth they make for happiness, and happiness is an important element in well-being.

Confronted with these facts, the statesman may seek a remedy by attacking directly either environment or parentage. In the two former sections of this paper it was shown that, *if no other change occurred*, an interference with environment might produce good

results, whereas an interference with parentage, except in extreme cases, could scarcely, with our present knowledge, be expected to do so. The practical importance of these conclusions is, however, much diminished by the fact that the hypothesis of no other change occurring is unreal. An attack on environment is likely indirectly to cause a change in parentage, and an attack on parentage to cause a change in environment. It is not safe, therefore, to determine upon any policy without enquiring whether its indirect effects are opposed to, and, if so, are likely to outweigh, its direct effects.

In respect of direct interference with parentage, considerations of this order go far to strengthen the case against that policy except in extreme cases and in a negative manner. Even if it were certain that, say, the overt artificial selection of husbands and wives could be conducted in such a way as to improve the original properties of future generations, the burden of proof upon its advocates would still be heavy. Could they successfully meet the objection that such an arrangement, by its action on the environment of moral ideas, family life, and so on, would injure the total content of consciousness by more than the accompanying improvement of gametes would benefit it?

The problem of direct interference with environment demands fuller investigation. Recent discussion of it has fallen into two parts. On the one hand, the present trend of our social policy is condemned upon the ground that it counteracts natural selection where the operation of that force is beneficial. On the other hand, a new social policy is advocated, designed to affect parentage beneficially *through environment*.

The negative aspect of the discussion has been forcibly set out by Mr. Punnett and Mr. Lock. The attempts to promote social reform that are at present most in vogue are, these writers suggest, not merely useless but injurious. The reason for this is that, while directly bettering that part of conscious life which turns upon environment, they indirectly worsen that more fundamental part that turns on original properties. Our present practice, according to Mr. Punnett, aims, broadly speaking, at raising the standard of the less fit and attempting to bring them closer by such means to those who are richer in natural endowment.¹ This practice, adds Mr. Lock, "is in almost every case the worst possible. . . . A steady breeding out of intelligence is taking place. Recognising that intelligence is

¹ *Mendelism*, p. 80.

an important factor in national greatness, we proceed to remedy this defect by endeavouring to reduce the infant mortality among the less desirable classes, and by offering every inducement to the production of large families by the said lower strata of society."¹

In this indictment there is, no doubt, a considerable element of truth. Improved hygiene and free medical treatment certainly make it easier for the children of the poor to survive and to become parents. It is possible, too, that such things as free education and other gratuitous aid to children remove in some degree the economic check to marriage among poor persons. But there is not in this sufficient ground for an out-and-out condemnation of existing policy. Will anyone venture to estimate quantitatively the extent to which the general level of original properties is lowered by the influences to which I have referred? Mr. Lock's reasoning implies that, if *any* lowering takes place, the bad effect produced thereby *must* in the end outweigh any good effects upon finished people for which an improved environment may be directly responsible. I cannot accept that view. The direct and indirect effects must be balanced against one another in each particular case, and the question which of them is *in general* likely to be greater is one which, with our present knowledge, it appears to me impossible to determine.

Furthermore, the present system, on its economic, as distinguished from its medical and surgical side, can easily be worked in such a way as to remove the stimulus to child-bearing which, in some forms, it might afford to the poorer classes. When State provision is made for ill-nourished or ill-clothed children, that provision may be coupled with such treatment of the parents as will ensure that they are not placed in a better position than they would have occupied if they had had the same number of children and had been left to provide for them unaided. A policy of this kind can be carried out by the exaction from these parents of a sum equivalent, not to the cost of what the State does in fact do for their children, but to what they might have been reasonably expected themselves to do for them. Under this plan—and it can be applied in all manner of detailed ways—the community is enabled to improve the environment, and hence the quality, of its children without in any way lessening the economic check upon reproduction among the poor.

Leaving this negative criticism of current practice, I pass in conclusion to two important constructive proposals that have

¹ *Variation, Heredity and Evolution*, pp. 287—8.

recently been brought forward. The purpose of both of these is to affect parentage beneficially by "altering the economic incidence of child-bearing." The more practicable, if less ambitious, of the two was set out by Mr. W. McDougall in a paper entitled "A Practicable Eugenic Suggestion," read before the Sociological Society.¹ The proposal is that, among classes of persons whose "civic worth" has been approved by some definite objective test, such as success in the Civil Service examination, salaries should be so arranged as to increase at marriage and at the birth of each child. It is suggested that the more important Government servants and University professors, amongst others, should be remunerated upon this plan, and it is pointed out that the scale might be so constructed that the aggregate cost involved would not be raised above its present level. The scheme is, of course, drawn on a small scale, and might not effect any great result. So far as it goes, however, it has, in my opinion, much to recommend it.

A more sweeping change has been advocated by Mr. Sidney Webb. He observes that, for the great majority of the community, the cost of bearing and rearing children is a very serious matter indeed. It, therefore, carries with it a strong prudential check upon parentage, a check, moreover—and this is the point—which is *differential* in its operation. It diminishes the families of the prudent and far-seeing; but it scarcely affects the idle and the thriftless, the drunken and the profligate. "The grave fact that we have to face is that, under our existing social arrangements, it is exactly these people, and practically these only, who at present make full use of their reproductive powers."² Hence, it is argued, if the cost of parentage were diminished all round, the better members of the working classes would be stimulated to have more children, while the worse members would be left much as they are at present. "In order to put a stop to the adverse selection that is at present going on, we must encourage the thrifty, foreseeing, prudent, and self-controlled parents to remove the check which, often unwillingly enough, they at present put on their natural instincts and love of children. We must make it easier for them to undertake family responsibilities. For instance, the arguments against the unlimited provision of medical attendance on the child-bearing mother and her children disappear. We may presently find the Leader of the Opposition, if not the Prime Minister, advocating the municipal supply of milk to all infants, and a free meal on demand (as already provided by a far-seeing

¹ *Sociological Papers*, vol. iii., p. 53 et seq. ² *Decline in the Birth-rate*, p. 19.

philanthropist at Paris) to mothers actually nursing their babies. We shall, indeed, have to face the problem of the systematic 'endowment of motherhood,' and place this most indispensable of all professions upon an honourable economic basis. The feeding of all the children at school appears in a new light."¹

I am not prepared to discuss this large proposal in detail. The following points may, however, be noted. First, Mr. Webb's plan, while increasing the proportion of children borne by prudent members of the working classes relatively to imprudent, would also increase this proportion relatively to the children of the professional and upper classes. So far as social status may be taken as a rough test of good or useful original properties, this result would prove injurious. Secondly, the scheme would encourage hard and mercenary marriages. This would prove injurious in two ways. It would mean (a) that an increased proportion of children were born to parents of a hard and mercenary character; (b) that an increased proportion of children were brought up in a hard and mercenary environment. Thirdly, the wastrels of the working classes are, after all, a small proportion of the whole. When it is desired to alter the proportion of births as between a large and a small group, is it not advisable to direct our attack upon the latter rather than the former? Could not Mr. Webb's end be obtained more thoroughly and with less risk by negative measures in restriction of the families of the submerged tenth rather than by positive measures in stimulation of those of the working classes in general? In the light of Poor Law history, it is difficult to contemplate without misgiving any large movement in the direction that he recommends.

IV.

It is not necessary for me to summarise the conclusions arrived at in the three preceding sections. They are all tentative and provisional. The problems with which they are concerned touch the province of the biologist, the economist, and the ethical philosopher. It is the biologist whose contributions to their solution have in recent years afforded the largest results, and the promise they afford for the future is still larger. The privilege of the statesman is to welcome and to use them. He will need, however, to remember that they are data and not precepts. As data they must be mastered by, they must not master him.

A. C. PIGOU

¹ *Decline in the Birth-rate*, by Sidney Webb, pp. 18, 19.

THE WINE CRISIS IN SOUTH FRANCE

OF all the industries of France, whether agricultural or manufacturing, the culture of the vine stands foremost. It is true that if the value of the produce be considered, it comes second to corn (1,153,000,000 francs, as against 1,718,000,000 francs, in 1904), but it gives employment to the greatest number of workers. The 1,750,000 hectares ($4\frac{1}{2}$ million acres) of vineyards occupy an army of labourers which never falls under 500,000 men, and at certain periods, especially, of course, during the vintage, rises above 2,000,000, many of whom are not wage-earners, but independent proprietors. Another test of supremacy is the capital invested in vine-culture, which is upwards of 6 milliards of francs. Hence whatever threatens this industry assumes the proportions of a national danger.

Now in vine-culture crises happen often. They are sometimes due to a natural scourge, smiting the plant or its crop. Thus during the middle of the nineteenth century the grape was destroyed by a disease called *oïdium*, and, from 1870 to 1875, the greater part of French vines were entirely killed by the *phylloxera*. Sometimes a crisis arises from a depreciation in the price of wine, or, as it is called, *mévente*.

Of this the present crisis is an instance. From 1890 to 1900 18 to 20 francs per hectolitre was the price of *vins ordinaires* in the departments along the shores of the Mediterranean, where common wines are mainly grown, especially in l'Aude, l'Hérault, le Gard, les Pyrénées Orientales, and les Bouches du Rhône. Since that period the price has fallen to 5 francs, at the present moment to 7 or 8 francs. These figures are much below the cost of production, which usually varies from 12 to 16 francs. It is only on extraordinarily fertile soils, capable of producing over 200 hectolitres to the hectare (=1,800 gallons to the acre), that the cost of production can now and again be reduced to 7 francs. Consequently the vine-growers in south-east France have been

incurring enormous losses. The wealthy proprietors have been compelled to draw on their capital to keep up their vineyards and pay their labourers. The small proprietors, who cultivate with their own hands, manage yet to keep alive, but they can no longer pay their taxes, nor the interest on such moneys as they may have borrowed. And, of course, neither the former nor the latter can sell their vineyards, the value of these being reduced by 75 per cent.

Herein lies the explanation of these vast meetings and noisy processions which have so moved public attention in France and even abroad, and have culminated in sanguinary repression, the burning of a town hall (*préfecture*), some revolt amongst the military, and other "excursions and alarms," more or less exaggerated in newspaper reports. Our part is to consider only the economic side of the question—that is to say, the causes of the crisis and the remedies proposed.

In the judgment of most French economists, over-production is the chief cause of the crisis. At first sight this seems a plausible explanation, not only because it is assumed *à priori* to be the cause of every *mévente*, but also because it is apparently borne out by facts. It is a fact that in 1889, after the plague of *phylloxera*, the vineyards of France produced less than half what they produced in 1900. It is true that this was a quite exceptional year; nevertheless, during these last few years there has been a great increase of production, especially if we include Algerian wine.

If over-production be the cause of the present crisis, it would seem that the remedy can only lie in limiting production, either by legislative regulation, or by a producers' trust. It is by such methods that Greece extricated herself successfully from an analogous crisis in her production of grapes called currants, these being, as everyone knows, exported almost entirely in the form of dried fruit. This interesting episode has been told in the *ECONOMIC JOURNAL* by Prof. Andréadès, vol. XVI., p. 41.

There has been talk of similar remedies for France. But the difficulties are so much more formidable in the case of France as to be almost unsurmountable. The number of vinegrowers is very great, is certainly over half a million for the whole of France, or even, if only the south-east departments be taken into account, on whom the crisis presses, the number is probably upwards of 100,000, and their rate of production 20,000,000 hectolitres (440,000,000 gallons). How could they possibly be

organised, and how, even supposing that such a task had been accomplished, could one ensure that discipline and general obedience without which a "kartel" or trust would be powerless to move? How could these thousands and tens of thousands of land-proprietors, many of them poor men, be induced to grub part of their vines, or to refrain from selling a portion of their crop?¹ The trust would at the least be compelled to indemnify them, or furnish them with grants in aid to tide over the interval till a better price could be obtained; and then how raise the enormous capital necessary to float such a society? As to having recourse to a Coercion Act, this were a yet more insoluble problem, for the vinegrowers, especially in the South of France, are turbulent spirits, but little disposed to acquiesce in laws hampering their actions.

If, therefore, over-production be the cause of the depression, there seems to be no other remedy than that following from the old law of supply and demand. The fall in prices will certainly result in a diminished production. The producers, having no more funds wherewith to cultivate their vines, the plants will either perish or, at best, produce much poorer crops; and this reduction in produce will doubtless have the effect, after a few years, of raising prices.

However, this explanation and this remedy are both not only unsatisfactory in the eyes of the interested parties—that is to say, the vinegrowers—but are sources of keen irritation. Our vinegrowers admit that over-production is the cause of the present crisis, but insist that the over-production is not that of genuine wine through the increase of vineyards, but of wines artificially manufactured with water and sugar. It is this fraudulent liquor, retailed at a minimum price, that is destroying the market for genuine wine.

Consequently the vinegrowers are imperiously demanding: (1) severe measures of repression against the manufacturers of this fraudulent stuff, and are aggrieved at the Government for keeping their hands off these individuals from political reasons; (2) an increase in the duty on sugar (or, at least, on sugar consumed in the manufacture of wine) high enough to annihilate the high profits derived from such manufacture. The duty at present is 24 francs per 100 kilos. They ask that it should be raised to 80 francs.

What are we to think of the explanation and of the demands?

¹ One organiser has been able to collect 20,000 signatures of proprietors towards founding an association of the kartel type.

To some extent they have substantial grounds. There is no doubt that, since the discovery that any quantity of sugar can be easily transformed by fermentation into alcohol (1,750 grams of sugar yield about one litre of alcohol), nothing is simpler than to increase the quantity of wine at will by adding water and sugar while fermentation of grape-juice is going on, or even (though this is a more difficult operation) when there is no grape-juice fermenting, by using suitable leavening substances and certain other ingredients. It is quite true that such adulteration has been, and still is, practised, and equally true that the adulterators have either not been prosecuted, or, if they have, the Government has let them off through the intercession of interested Members of Parliament. Nevertheless, the Government might reply to the vinegrowers of the south that these adulterators were their own countrymen, their friends and neighbours, often vinegrowers like themselves, and that the *députés* who had interceded on their behalf were precisely those whom they themselves, in the southern electorates, had elected.

However, the Government has actually gone halfway to meet their demands, and has passed into law a bill to restrict with greater severity the manufacture of sugar-wines, and to strike, within permissible limits,¹ at the sugar so employed, by the imposition of a supplementary duty of 40 francs per 100 kilos.

It is quite probable that the new Act may hinder the manufacture of *vins de sucre*, but it is doubtful whether it will stop the *mévente*, by raising the price of wine. The fact is, we do not believe that the real cause of the *mévente* is the competition between sugar-wines and genuine wines, and therefore we do not believe that the withdrawal of that cause will improve the sales. The proof of this—and to us it seems conclusive—is that the cost of production of sugar-wines is higher than the actual price of genuine South French wine. The former cannot come to less than 10 francs per hectolitre at present, and under the new Act this will not come to less than 14 francs. Now we have stated that the actual price of natural South French wine was not more than 7 francs per hectolitre.

The real cause of the present crisis does not appear to us to

¹ The manufacture of sugar-wine is permitted by law in two cases:—

(1) In the form of an *addition* to natural wine during the fermentation of grape-juice, in order to increase the proportion of alcohol, but within the limit of 3.333 grams of sugar to one hectolitre of grape-juice.

(2) In the form of entirely artificial wine, that is to say, of sugared water, to be poured on the residue of the grapes, but the quantity so poured to be only so many hectolitres per person working on the farm. This is termed "family consumption."

be chiefly adulterated production, nor even over-production. Forty years ago there was as much wine produced in France, especially in the southern provinces, as to-day. We would point rather to under-consumption—a far more difficult situation to remedy. One may prescribe for adulteration by severely punishing the adulterator; one may regulate over-production by restricting the extent of grape-producing soil. But there seems to be no method of forcing consumers to drink more wine than they wish. Wine is no longer the one and only national French beverage, as for centuries it was wont to be. It has many rivals. The English have taught the Frenchman to drink tea; the Germans have taught him to drink beer. Doctors and hygienists who used to prescribe wine as a tonic, as strength-giving, now proscribe it. Bottles of mineral waters are now seen on the table side by side with the bottles of wine, which they will eventually supersede. For the present, indeed, these new habits are peculiar to the well-to-do classes, and have not yet penetrated to the tables of the million. But there wine is confronted by another and far more formidable rival, that is, alcohol in the shape of absinthe, or other so-called *apéritive* drink. These are, it is true, only taken between meals, but they none the less destroy in the consumer the taste for wine. In France, as elsewhere, there has been for several years past a keen temperance agitation against alcoholism in general. But its ultimate success is very doubtful, and, in any case, when the enthusiasm of its apostles has caused a diminution in the consumption of alcohol, it is so-called hygienic beverages, rather than wine, which supersede the habitual use of spirits.

We do not go so far as to say that wine is in danger of ceasing to be the national beverage of France, but we do say that it will be probably less in demand and, to that extent, less appreciated than in the past, and that, consequently, to re-establish an equilibrium between supply and demand, it will be necessary for vinegrowers to restrict their production to a considerable degree, and seek henceforward to produce quality more than quantity.

There is, however, another and somewhat attractive alternative. If French vinegrowers may not hope to see an improved market in their own country, could they not seek it abroad? And, since England and Germany have inspired us with a liking for tea and beer, could not we, in our turn, instil into them and others our taste for wine? Surely there is nothing simpler than

this at first sight. The English and the Germans who pay two and three shillings or marks a bottle would scarcely fail to be extremely satisfied to buy French wine at one shilling or mark a bottle. And this very moderate price would ensure to French vinegrowers a price three times in excess of what they actually get, and one that would pay them well, even after deducting the enormous duty they would have to pay (£1 2s. in England, 24 marks in Germany per hectolitre). Why is not the effort made? It is not clear whether the inertia of the French vinegrowers is to blame, or the indifference of English and German consumers, or, and this is probably the real cause, the exactions of the middlemen, of the English and German dealers, who play the part of importers, and who, snatching at bigger profits, try to sell the wines of South France at the same price as their clarets and ports, thus cutting them off from the average mass of buyers.

It may be that French vinegrowers would find a better outlet in England for their produce, if they sent it as grapes, and not as wine. They would have this advantage, that fresh fruit does not, we believe, incur import duty. Unfortunately, the transport of grapes, with the loading and unloading exacted by the Channel passage, is not so simple. Here is, anyway, one more argument in favour of the Channel tunnel, or, at least, of a train-ferry!

CHARLES GIDE

REVIEWS

Labour Ideal Series. The Woman Socialist. By Ethel Snowden.
(London : George Allen, 1907.)

THIS little book sets forth the hopes and aspirations of at least one section of the Socialist party in regard to the position of women. With many of the changes which it advocates, especially the political enfranchisement of women and the opening to them of trades, professions, and careers for which their personal qualities and training fit them, I find myself in complete sympathy; on the other hand, I cannot but dissent from the fundamental basis of Mrs. Philip Snowden's argument—namely, that the present condition of Englishwomen is one of slavery; and I also find myself in complete disagreement with her, both from the economic and social point of view, in what she regards as desirable changes in the relation of women to their children and to their husbands.

To deal with the first of these points of difference. Almost every page of this book either states positively or implies indirectly that women in our existing society are in slavery. I cannot but regard this as entirely untrue. The withholding from women of the benefits of political representation is injurious to them and to the community, but it does not constitute either economic or political slavery. The dictionary definition of a slave is "one who has no freedom of action, but whose person and services are wholly under the control of another." Slaves are not free to come and go, to buy and sell, to make contracts, to own land, to speak, to write, to agitate, and so forth. If Englishwomen had been slaves, could they have revolutionised their own education, modified and improved almost every law which was injurious to them, taken an active part in local government and local administration, opened many professions and employments, entered learned societies, and added to the sum of knowledge by their industry and research? They have done even more than

this—led by one heroic woman, they have erased from the statute book, against what looked like overwhelming odds, laws which they believed were based on an immoral conception of their relation to the other sex. Such things have never been done by slaves, and never will be. It cannot really promote the movement for greater economic and political freedom for women to start from a premiss which is in glaring incongruity with well-known facts. Englishwomen are free, and, being free, they need a full development of their position as free citizens, both economically and politically. If we were really slaves, our claim to political representation could be much more easily set on one side than is at present the case.

When one looks at what Mrs. Philip Snowden confidently anticipates as desirable changes in the family relationships of the future, it is impossible not to feel that it is better to bear the ills we have than fly to others that we know not of. What she sketches as ideal would be in reality the most intolerable oppression that ever weighed upon mankind: "as merciful as a calculating machine and as moral as a lawn-mower" (Lafcadio Hearn, *Life and Letters*, vol. II., p. 512). In the Socialist community, we are told by Mrs. Snowden marriages are to be regulated by the State, the children born will belong more to the State than to their parents (p. 62); a wife who bears children will not look to her husband for support, she will receive a salary from the State; "her living will be assured to her by the community" (p. 59). It appears that men will not be specially responsible for their own children, but, together with able-bodied women, will be responsible in the lump for all the children and all the child-bearing women in the lump. To some this is a dream; to others, and probably a majority, it is a nightmare. How much that is best, both morally and economically, comes from the responsibility of the individual father and mother for the children born to them. No one loves hard work for its own sake. It is faced cheerfully and persistently "for the missus and the kids" by the ordinary everyday man. It is not a little significant that the majority of the men and women who are identified with this Socialist nightmare of abolishing the ordinary responsibilities of marriage and substituting for them State salaries for mothers, and children who belong more to the State than to their parents, are themselves childless. Mr. Sidney Webb, in a letter to the *Times* last October, entitled, if my memory does not deceive me, "Race Suicide," tried to convince his readers that the decline in the birth-rate was so serious a national

danger that it was necessary, in order to arrest it, to adopt the plan of subsidising motherhood by providing child-bearing women with salaries guaranteed by the State. This is the rock on which practical Socialism, when carried out to its ultimate end, has always struck. If the State is to guarantee a comfortable existence for all, it must control marriage and the number of children born, and this would be a remedy worse than the disease it is intended to remove. Mr. Rudyard Kipling has expressed this with his wonted force and vigour in "An Imperial Rescript," which is too long to quote here in full. The opening verses describe the German Emperor promising to "ease the strong of their burden, and to help the weak at their need," and the peoples of the earth come to listen to the Imperial receipt for the creation of an earthly paradise. When they understood what it was—

They passed one resolution. Your sub-committee believe
You can lighten the curse of Adam when you've lightened the curse of Eve
But till we are built like angels, with hammer and chisel and pen
We will work for ourself and a woman, for ever and ever, amen.

M. G. FAWCETT

Labour Ideal Series. *Labour and the Empire*, by J. Ramsay Macdonald, M.P. (pp. xv, 112), and *The Socialist's Budget*, by Philip Snowden, M.P. (pp. vii, 88). (London: Labour Ideal Series, 1907. Price 1s. each.)

THE rise of the Labour Party into prominence has given us, among other things, the outlines of a programme in definite literary form, and the working out by Mr. Ramsay Macdonald of its relations to the problems of Imperialism is an undertaking of great national importance, apart from any intrinsic merits. Possessing a lucid and interesting style, Mr. Macdonald has adapted himself wonderfully to the small space at his disposal, though it is a pity that he has used so large a part of it to castigate an imaginary and admittedly objectionable Imperialist. On the whole, however, his criticisms of various ideals are suggestive, and the power of vivid and trenchant analysis is perhaps his strongest point of all.

The first part of the book is a *résumé* of the growth of Imperialism from the time when England left the quest for gold to "create a fine type of manhood and to develop a national spirit," and in a few delightful paragraphs are traced the change from adventure by sea to settlement by land, from the "old

spirit of exploitation " to the new one of settlement, then the rise and fall of economic Liberalism, making way for the Conservative policy of Imperialism and Social Reform. A descriptive criticism of orthodox Imperialism prepares the way for the new Labour policy, which latter is the outline of a real constructive programme, and a basis on which to bring the ideals of Labour into touch with those of other Imperialists. His criticisms of the latter often hit the mark, as in the case of their failure to understand what is going on in different minds—a defect, however, that is not the monopoly of any single party. In many cases, indeed, the author approaches the standpoint of his opponents, and we may, for instance, recommend the following statement concerning alien restriction:—"The power to exclude undesirable immigrants, to classify whole nations as such, and to control in other ways the conditions of immigration, may be exercised without in any way violating Imperial traditions, which we, as democrats, desire to preserve"—a quite different thing, as is shown, from the ill-usage of these undesirables once they are admitted. The policy of Tariff Reform is criticised in a chapter on "Trade as an Imperial Bond," containing a clear dissection of the different ideals of protectionism in the various "sister nations." The speed, however, with which Mr. Macdonald throws aside the broadest phylactery of orthodoxy that "exports must be paid for by imports," in attempting to prove the valuelessness of Colonial preference, tickles the imagination. The sister States wish to extend their exports to Great Britain, without importing her products in exchange. But obviously, if they export they must import, and thus the value of preference comes in, since the grant of it gives to the favoured country a first claim on such increases of trade.

The Socialist's Budget differs from Labour and the Empire in style, which is blunt and straightforward, in method, which is the presentment of an extreme policy, and in the subject, taxation; a difference possibly co-extensive with that which divides purely Labour ideals from those of avowed Socialism. The object of the Budget is stated to be twofold—revenue-raising, and more equal distribution of wealth; and in confusing, as he appears to do, the "rich idle class" with all who are not manual workers, Mr. Snowden forgets the nature both of profits, the reward for brain-work, and of the combined return for past labour and present abstinence, which is interest. Again, "Taxation of the Rich for Social Reform Purposes" is, we may admit, justifiable within due limits, but the extent to which it can be profit-

ably carried out is strictly limited. Moreover, if "indirect taxation never brings home to a nation the price of its folly," to relieve a majority of the community of nearly all taxes—Mr. Snowden's proposal—would produce even more irresponsibility. Nor does the equilibrium of direct and indirect taxation, the ideal of financial experts, justify his assertion that the latter "is not defended as just or economical by politician or economist." That the existing specific duties are not ideal may be granted, but to say they are equal to an income tax of 2s. on the smaller incomes is due to a probable over-estimate of the total amount paid, as well as to the fact that, whilst the whole case rests on the taxation of the necessities of life, three-quarters at least of the total sum is levied on luxuries.

In "Our First Socialist Budget" Mr. Snowden would abolish all indirect taxes except those on liquor, retained for other than fiscal reasons, and with them, for no very obvious reason, the Post Office Profit and the Stamp Duties at a cost of £13,000,000 a year. The Land Tax, the Inhabited House Duty, and various licences are also to go. As regards expenditure, the cost of education is to be transferred to the central, its administration left to the local authority, the millions thus set free being devoted to other local purposes, and further money is to be spent on old-age pensions and the unemployed, whilst afforestation is also recommended, primarily, as the author rightly observes, for its own sake.

To raise the revenue required, an income supertax ranging from 1s. to 6s. on all over £5,000 a year, an estate duty up to 50 per cent., and a tax on land values of £25,000,000 a year are to be imposed, together with the retained Liquor Duties. Whilst, however, sympathising with moderate progressive rates, and believing a gradual and moderate increase of the Death Duties to be feasible, we think it probable that such a general blow to accumulation and enterprise, justice apart, would very soon wreck Socialist finance. At best it is an ideal to be very gradually approached by slow stages, perhaps never reached. To Mr. Snowden it is a single sudden leap and apparently only a beginning.

Taken as a whole, we have to thank Mr. Snowden for a frank and open account of the aims of extreme Socialists. Unlike Mr. Macdonald, whose work will assist towards the reconciliation of Labour Imperialism with other types of it and their joint advance along parallel roads, he rather tries to set before us in its nakedness the full and complete policy of Socialism irrecon-

cilable with that of any other party. His aim is to show friends and foes alike what is his ultimate goal, and in this he has abundantly succeeded.

N. B. DEARLE

The Trust Movement in British Industry. By H. W. MACROSTY.
(Longmans, Green and Co., 1907. Pp. 392.)

In this book the author has departed from the lines on which he argued in his "Trusts and the State"; there is an almost complete absence of controversial or theoretical reasoning, and the main purpose of the work is descriptive. In a brief introduction, Mr. Macrosty classifies the forms of combination by their compactness of structure, and he has a few words to say on the legality of their methods, especially as defined in the *Mogul* case. But, in the succeeding chapters of the book, the division is made to depend on the industries, and not on the forms of combination; this is due, as the author explains, to the fact that, as between, say, the iron and the textile trades, there are differences of organisation which bear essentially on the types of combination that are most feasible in each. The study is limited to England, and English students have at length access to an invaluable compendium of facts regarding their own country, which in both extent and detail goes far beyond any other study of our industry on these lines. Further, although the chief purpose of Mr. Macrosty's book is to exhibit the facts regarding Trusts in England, it is also full of material which is of the utmost use for the realistic study of British industry in any connection.

"The one common point about all forms," he states at the outset, "is the combination of several capitalists who formerly operated singly; beyond that, the structure may vary infinitely" with regard to time, scope, and classes of members. I think the definition inadequate in that it omits "or *could* operate singly." This, in fact, is implicitly confessed by Mr. Macrosty, when he tells us later of combinations which have grown up by internal development and normal accretion, rather than by deliberate combination with other firms. A Trust, it seems to me, is a Trust in virtue of what it does; or, as I prefer to put it, combination can be a fact without implying a historical alliance. Mr. Macrosty makes it clear, also, that his definition excludes all forms of "non-competitive" trade; while it includes, as of co-ordinate importance, both "vertical" and "horizontal" combinations. Indeed, in the study of the iron trade, it is with the

vertical form that we are chiefly concerned. The first consideration leads to the exclusion from this book of railway consolidations, and local industries or services, on the ground that they are made "non-competitive" by some kind of public supervision. It is unfortunate that railway organisation should be excluded from a study on which, in many ways, it bears closely. As regards the local industries, it is to be noted that Mr. Macrosty deduces from the iron and textile trades the form of combination which most easily results. Is it not important, also, to show that the monopolising of local industries also results from inherent characteristics? Are these industries non-competitive because of public supervision, as Mr. Macrosty appears to hold, or is it because of their non-competitive nature that they are publicly supervised? Since Socialists tell us every day that these industries are the great example by which to judge the Trust movement as a whole, it is all the more significant that a Fabian of Mr. Macrosty's standing should isolate them as special cases, not germane to the general study of combination.

As to the second point, the co-ordinate importance of vertical and horizontal amalgamation is scarcely made out. Mr. Macrosty (p. 17) places them "side by side," but he also doubts "whether integration is antagonistic or favourable to combination," and in his study of the amalgamations in the iron trade, the reader feels that the normal extension of the business unit is being elevated unnecessarily to the rank of "Trust development." His summary (p. 330) of the relations of the two processes is not clear to me; but it is not the teaching of foreign conditions that integration first enhances competing power, and that thereafter combination is found necessary for peace.

The most interesting chapters are those on the textile and chemical industries. Here the combinations are of the usual Trust form, and dominate the trade. Mr. Macrosty's account of such organisations as the Fine Cotton Spinners' and Doublers', the Bradford Dyers', and the Calico Printers' Associations is a most valuable and almost unique comparative account of the problems of management in great concerns. In the description of the Salt Union and the Woolcombers' Association there reappear the familiar stories of the failure of monopoly policy and of over-capitalisation. In the English coal trade he finds that "singularly little in the way of amalgamation" has been achieved, a striking contrast to conditions abroad. In the Bradford Dyers, the Shipping Conferences, and the Tobacco Trust, we meet again the boycott, the rebate, and the limiting agreement.

Mr. Macrosty has little to say regarding causes and effects. On the whole, he makes the English Trusts appear defensive, but this is not usually borne out by their prospectuses, which dwell mainly on the further advantages of consolidation. It is to be noted, also, that over-capitalisation is not made a frequent charge against our Trusts. When it does occur, he takes it to be the fair price for the transition, and good management will work it off. The moral of his whole study is, in fact, to be found in what he has to say about management, especially in his summary on pp. 336-7. "Where brains enough cannot be found, amalgamation will be a failure. . . . The future is with the commercial statesman, whether in a large individual business or in a combination."

D. H. MACGREGOR

The Infant, the Parent, and the State. By H. LLEWELLYN HEATH, D.P.H. (Cantab.), &c. (London: P. S. King and Son, Westminster, 1907. Pp. xv, 191.)

THIS little book is a compilation of a good deal that is being said and done at the present time on the subject of infant mortality, including some observations from the writer's own experience. His authorities are of rather varying value, and he quotes from them freely without much attempt to estimate their importance. Nevertheless, the book should be helpful in assisting to call attention to a matter of great social importance. It is unfortunate that, in common with most writers on this subject, the author tends to neglect the fact that a child has two parents, and to aim the whole of his artillery upon the mother alone. She is to be educated (quite rightly) to the proper fulfilment of her duties, but where the father fails in his duty of providing maintenance for wife and child there is no suggestion of educating him. On the contrary, the State is to intervene with an allowance to compensate him for the loss of his wife's earnings (p. 63). No real solution of the problem will be found so long as the most fundamental facts are ignored in this way.

HELEN BOSANQUET

Banking and Negotiable Instruments: a Manual of Practical Law. By FRANK TILLYARD, M.A. (London, 1906.)

THE useful work of the new universities of this country is exemplified in an interesting manner by this volume, which is written by the lecturer on commercial law at the University of

Birmingham. Mr. Tillyard has brought together a considerable amount of information which will be of service to bankers by instructing them how to deal with many legal points which turn up in the course of their business. Thus he points out the risk which a banker may run if he trusts to the fact that a customer has two accounts with him of which one is to the credit and the other is overdrawn, but the latter is the account of the customer himself while the one to the credit is really not his personal account but his account as a trustee. The further risks also on joint accounts, where the persons concerned are not partners in trade, is a point also to be remembered. We just give these instances as illustrations of the many risks which bankers incur. To their existing anxieties, Mr. Tillyard considers they should add the risk of a banker who holds his customers' bonds in case they are lost, though he may not have been responsible for this, and though he may be practically a "gratuitous bailee"! Bankers still remember with discomfort the case in which a lost jewel-box for which, in an ordinary way, they could hardly have been held accountable, had to be paid for. Fortunately such occasions do not frequently occur.

Many points, as for instance the position of the holder of an "equitable" mortgage where the property is also subject to a "legal" mortgage, are discussed, and the question whether "notice" respecting bills or cheques by telegram or telephone is "sufficient" is referred to. At present the legal decision on the former point is uncertain. We have not yet noticed a case in which the telephone was brought in, but no doubt it will be soon.

The volume, we observe, is in its second edition. May we venture to remark against the time when a third edition appears, as, no doubt, it will in time, that there are one or two small points which may be attended to with advantage? There is a curious misprint on p. 96, in which the name of Buxton is spelt incorrectly. Again, more than once we have noticed such points as these—at p. 226 the case of the Bechuanaland Exploration Co. v. London Trading Bank is mentioned as referred to before. It would have been well to have given the page of the previous reference. We notice the same where the case of Goodwin v. Robarts is discussed, and again, the case of a cheque with a form of receipt on the back on p. 230. This is also referred to on p. 181. We mention these points without hesitation, as on p. 238 Mr. Tillyard has himself given a reference to the page on which the subject he writes on had been discussed in a former part of the book. Mr. Tillyard's readers are likely to be persons

who have not much leisure and who refer to the book in order to obtain an immediate answer to the question, whether the cheque in their hands has to be returned or may be paid. There is a very fair index, and attention to these points would facilitate the use of the book. The volume is one which bankers may read with advantage. It contains much that is useful and much that is interesting.

Like all works of this kind, it is more useful in the way of warning bankers of the risks they run than of providing them with the exact method of proceeding in such cases.

R. H. I. PALGRAVE

Co-operative Banking: Its Principles and Practice, with a Chapter on Co-operative Mortgage Credit. By HENRY W. WOLFF. (P. S. King and Son, London, 1907. Pp. 301.)

THE title of this book explains its scope. Abandoning the descriptive and statistical method employed in his earlier work, "People's Banks," the author examines the principles of co-operative credit, as revealed in the professed aims and actual results of the movement in different European countries, more particularly in Germany and Italy.

After an introductory chapter, the distinctive features of co-operative banks are laid down—personal unions of small men democratically organised who render themselves credit worthy by their knowledge of and consequent confidence in each other.

In Chapters IV. and V. the "share" bank and "unlimited liability" bank are considered in turn. In Chapters VI. and VII. co-operative banks of either class are considered (1) as money receivers, whether from below, from their own members, and from non-members, or from above, from big private banks and from central co-operative banks; (2) as moneylenders to their own members.

In Chapter VIII. the advantages are shown of provincial and national union, especially for purposes of business inspection. Co-operative mortgage credit, as existing in Prussia and Denmark, is examined separately in Chapter IX. In the last chapter the general conclusions are presented with special reference to the possibilities of co-operative banking in England. The provisions favourable to rural credit banks in Mr. Harcourt's recent Small Holdings Bill for England lend a special interest to the author's plea.

Share banks are those "which make a share capital the out-

ward and visible sign of the security . . . , whatever be the particular form of liability adopted " ; unlimited liability banks are those " which rely in the last resort upon the unlimited liability of each member."

This, which is certainly the only sound constitutional division, conceals, I think, a deeper difference, which it is hard to formulate. As the author points out, " town " and " country " banks are not necessarily co-extensive with the constitutional division ; for example, in Germany, where the larger farmers often bank with the co-operative share banks. Still, these terms, alone, I believe, suggest the deepest and most abiding line of demarcation.

The town is pre-eminently, as it is historically, the province of the share bank. What part, therefore, must such a bank play in industrial evolution? Created to accommodate the small man, is it to help him to become a big man in the way of large scale business, or is it to try and stem this evolution, to try and make the small man on a permanent equality with the big man?

If the latter, there comes the question, How far does England owe its industrial superiority to the greater celerity and completeness of its advance to large scale organisation? How far would the co-operative bank in industry be merely an effort to crystallise a passing stage in our development? In this case there might not be any such wide opening for these banks, as the author seems to suggest, whatever the excellence of their past and present work on the Continent. For it is the small independent producer, not the foreman or operative, who needs co-operative credit.

The rural districts alone are concerned with the unlimited liability bank in the author's sense of the word. These banks, generally called Raiffeisen banks, after their German founder, began in every country with the very small farmer, but since co-operative agriculture has grown to include organisations for supply and sale, of which comparatively big farmers are also members, it seems possible that the agricultural members of the town banks may more and more transfer their custom to the specifically agricultural banks. However, the significance of the country bank is the permanence in agriculture of its chief component, the *small* farmer, especially if he is an occupying owner. For in certain increasingly important branches of agriculture, especially dairy and fruit farming, the small farmer, co-operatively organised, is economically superior to the big man. At any rate, this seems the lesson of the last thirty years of continental experience.

Such are the main criticisms, or rather reflections, which suggest themselves to the reader. As regards facts, the book is, of course, sound, since the author knows more about co-operative banking than any writer living.

C. R. FAY

The Dangers of Municipal Trading. By Robert P. Porter. (London: Routledge and Sons, 1907. Pp. xii, 320.)

It would perhaps be unfair to the author, who was Director of the Eleventh Census of the United States, to treat this vigorous assault upon public trading as a scientific study, for there is no pretence of giving more than one side of the question, and his declared purpose is to bring together in a volume, not too profound for popular reading, some of the facts and arguments used by the opponents of municipal trading in England. But this explanation of his object, like the title itself, is inadequate for the matter, which includes discussions on the nationalisation of railways, telegraphs, and telephones, the public works policy of Australasia, the condition of Russia, as well as municipal trading in Great Britain. Unfortunately, such a wide scope renders the work too discursive to be of value to serious students, and while doubtless succeeding in reflecting the arguments of the average opponent in this country, it is superficial and lacking in precision throughout. The American readers, for whom it was primarily written, will certainly obtain a false impression if they take Mr. Porter as their guide. Thus, in the chapter on Australasia, the following wild statement will suffice as an illustration of overshooting the mark:—"Already, we are told, the State servants constitute almost a clear majority of the names on the electors' rolls; the State, indeed, is on the way to becoming the sole employer of labour in the community."

Again, his statistics are seldom such as to carry conviction. Railway nationalisation is condemned by showing that Britain has more locomotives per hundred miles of railway than Germany, and that in the latter country railway capital has increased only by £186,000,000 from 1890 to 1904, while in the former it has increased by £371,000,000. But is it not possible, by selecting the countries which favour the argument, to obtain any result we please? America, for instance, has fewer locomotives per hundred miles than Germany, and we are not told how much of the increase in railway capital here is due to the extensive watering of stock which has taken place during the period under

review. The question of State ownership is only one factor among many.

There is abundant room for critical analysis of the financial results of municipal trading, but Mr. Porter cannot be regarded as a trustworthy guide. Not only does he frequently confuse rental with rateable value, but in what he regards as his fundamental arguments he plays fast and loose with the term "rate-payers." When desirous of proving that "the class that supports it [municipal trading] is not the class that pays," he does not explain the system of compounding, but simply asserts that the poorer population is "exempt from taxation," "the working classes pay nothing," "the party which benefits by the rates is stronger than the party which pays them." In another chapter, where the author is concerned to prove that trading is a burden on the poor, he confesses that they pay rates indirectly. Throughout the volume, however, it is assumed that rates are levied quite generally for the construction and operation of trading enterprises, as, in dealing with electric supply, it is asserted that "all the taxpayers contribute to its upkeep whether electricity is used by them or not." This leads to hopeless confusion, and renders the discussion quite worthless. The increase of local rating is attributed to trading without any proof beyond a quotation, for which no authority is cited, to the effect that of seventy-eight boroughs in England and Wales—in what manner selected we are not told—the twenty-six in which the proportion of reproductive debt is over 200 per cent. of the assessable value have an average rating (excluding poor rate) of 30 per cent., while in the eleven where the reproductive debt is under 50 per cent. of the assessable value, the average rates are only 26 per cent. "The conclusion," remarks Mr. Porter, "is self-evident"; and thenceforward he has no hesitation in speaking of municipal enterprises of all kinds as "speculation with money raised by taxation," while the defeat of the electric power scheme of the London County Council has avoided "the expenditure of some twenty millions sterling out of the rates."

It is ridiculous to say that the Glasgow tramway cannot contribute to relief of rates "more than £25,000 annually, or, if it does, other items suffer by being insufficiently charged"; for not only is the sum higher in point of fact, but out of the revenue depreciation and sinking funds are paid, which together amount to a very much higher percentage than private enterprise considers necessary. Even prudent financiers with no bias in favour

of municipal ownership are urging that the Corporation is doing too much in this direction. The author was particularly unfortunate in selecting this illustration, as it happens to be the strongest case on the other side.

Exaggerated criticism of the financial aspects is inevitable so long as the present methods of account-making continue, and nobody is satisfied with the existing state of things. But the critics show themselves very unreasonable in demanding an amortisation fund based on the life of the subject, together with a depreciation fund on the same basis. Mr. Porter, however, goes still further by denouncing the "ingenious manœuvre of getting a provision inserted in their Parliamentary Bills authorising the investment of their sinking funds *in their own securities*" as rendering these funds "wholly illusory." To those who know little of finance it may seem strange that funds set aside for redemption of debt should be used for new capital expenditure, but, of course, this is done only when further borrowing would otherwise be necessary. The simultaneous borrowing and lending of a Corporation is a clumsy system, involving unnecessary expense of management, stamp duty composition, and the payment of income tax on the interest it receives. A business firm would not adopt the absurd method, which all Corporations were formerly forced to do, of lending at 3 per cent. when it was at the same time borrowing at 3 per cent., and so incurring considerable expense for no purpose but to satisfy foolish ideas of the central departments. The prevention of new debt in the manner now adopted is exactly the same thing in the end as the repayment of old debt, and so long as all loans have the same and equal security there can be no objection to it on the part of the lender. The sinking funds are accumulated out of revenue as before, and wipe out the portions of debt against which they were instituted, though if new loans are being contracted in the meantime the aggregate debt may stand as high as, or higher than, ever when some portions of it have been extinguished. It is, of course, only by a cessation of capital expenditure that sinking funds of any kind can have an obvious effect in reducing the aggregate debt of a local authority, yet the suspension of a national sinking fund during a period of war, which everyone now accepts as a sound principle of finance, is justified by precisely the same arguments as would deprecate the accumulation of funds by a municipality during a period of fresh borrowing. If the statutory sum is set aside from each account and applied to the prevention of new debt, no financial principle is

being violated so long as the authority meets its obligations to the lenders as they mature.

STANLEY H. TURNER

India and Imperial Preference. By SIR ROPER LETHBRIDGE.
(London : Longmans. Pp. xiv, 105.)

THE importance of the place which India must necessarily take in any scheme of Imperial preference has as yet hardly been realised by the general public. The appearance of Sir Roper's book, however, leaves no excuse for ignorance as to this aspect of the question.

The author has had a distinguished career in the Indian educational service, and as Professor of Political Economy in the University of Calcutta, and as Press Commissioner for the Government of India, must have had unrivalled opportunities for observing the trend of public opinion amongst the educated classes of the country.

Indian public opinion, he asserts, is intensely protectionist, and has been greatly irritated by the adherence of the Government to a policy of strict free trade. To this irritation is largely due the adoption by the National Indian Congress of the policy of "Swadeshi"—"My own country's products for me"—and also of the social "boycott" of Lancashire and other British manufactures. Leaving the question of sentiment, and turning to more material matters, Sir Roper draws our attention to the tables of Indian exports and imports, printed at the end of his book, as showing, first, that imports from England have not grown nearly as rapidly as imports from other countries, and, second, that exports to England are falling off considerably as compared with the total volume of export trade. The relative decline of imports from England is also more serious than it appears, since it is only in the trade of cotton piece goods that England preserves her supremacy. According to Sir Roper the Indian market for these goods is so vast as to be practically limitless. "Consequently, for this cotton-goods market, and for this market only, British manufacturers, equally with their German and other protected rivals, are able to work on the largest scale, and at the highest pressure that may be physically possible." When this market, therefore, ceases to be "limitless" England will begin to lose the cotton trade just as she is now losing other trades.

There are, then, three evils: the discontent of the native population, the decline of imports from England, and the

“capture” of Indian exports by our protectionist rivals; and the remedy for these evils lies in Imperial preference. Sir Roper suggests a scheme under which the United Kingdom and Colonies should give more or less free entry to Indian tea, tobacco, sugar, wheat, oil seeds, and all Indian staples, whilst India in return should relax her present 5 per cent. tariff against imports from British sources. He maintains that such a scheme “(1) will foster the nascent industries of India; (2) that it will assure to India the only cheap and reasonable method of liquidating her annual obligations as a debtor nation; (3) that it will afford her the only possible means of assuring herself against future famines; (4) that it will result in largely improving the standard of comfort and increasing the purchasing power of the masses of India” in addition to the direct stimulus which it will give to trade as a whole.

The position with regard to Imperial preference which has been taken up by the Government of India, both in their letter of October, 1903,¹ and in the speech of Sir J. Mackay at the recent Imperial Conference, is briefly this:—Under existing circumstances a large proportion of Indian exports go to protectionist countries, but are to a great extent admitted free. India is a debtor country, and has to pay these debts by means of her exports. If preferential terms were given to British goods the countries who at present admit India's goods on favourable terms might retaliate by imposing higher duties. In addition to the direct loss thus incurred by India, the exchanges might be unfavourably affected with results which would be absolutely disastrous to the finances of the country. Any advantages, therefore, which might be gained by Imperial preference are entirely outweighed by the dangers which would necessarily accompany such a scheme.

In reply to these arguments, Sir Roper points out that India's exports are largely raw materials, and appeals to Sir Edward Law's minute attached to the letter from the Indian Government already mentioned (Cd. 1,931), as showing that the importing protectionist countries are not in a position to retaliate. He omits, however, to mention that Sir Edward Law says:—“If we were to raise our tariff rates . . . so as to give an appreciable preference of $2\frac{1}{2}$ to 3 per cent. to our Imperial relations, such a difference might so affect our import trade with our foreign customers for exports that they would necessarily consider the advisability of retaliation.”

¹ Parl. paper, Cd. 1,931.

Now as to the evils which are, as we have been told, the result of the present free trade policy of India, it must be admitted that Indian public opinion is strongly in favour of protection, and that the position is one which, so far, we can only deplore. With reference, however, to the import trade, we cannot see that Sir Roper has reasonable grounds for his somewhat strange speculation as to the condition of the Indian market for cotton goods. Apart from this point, although the imports from foreign countries are increasing more rapidly than those from England, we may say, judging from the tables of exports printed at the end of this work, that the increase is not of an alarming nature. Again, Sir Roper maintains that the nascent industries of India are being prevented from attaining their natural development by the dumping tactics of continental manufacturers, an evil which would be obviated by the adoption of Imperial preference. In this statement there are two errors: Firstly, no *moderate* duties will prevent dumping, and, secondly, we have the high authority of Sir E. Cable, sometime President of the Bengal Chamber of Commerce, for stating that the keenest competition which India has to face comes from England and not from the protectionist countries. During the discussion of the Financial Statement for 1905-1906 he said:—"Great Britain is perhaps, of all our competitors, the most to be feared."

As to the increasing proportion of Indian exports which go to protectionist countries, Sir Roper speaks of these exports as having been "captured" by continental merchants. If England does not buy her raw materials from India it can only be because she can get these materials cheaper elsewhere; in fact, she "captures" the exports of other countries instead of those of India. The phrase is hardly a happy one.

There are several other points which call for attention; the description of German and American tariffs as "marvels of wise and skilful adjustment" would nowhere cause more surprise than in the countries concerned, whilst the argument concerning the "double bargain" developed in Chapter II., § 7, is, to put the matter at its best, extremely misleading. Looking at the book as a whole, we find that the case for preference between England and India, apart from revenue necessities, is a good one, for it means only a remission of duties on both sides, but we cannot say that Imperial preference is the more feasible on that account. It is to be feared that the ideal of a combination of Patriotism and Profit is as distant as ever.

D. A. BARKER

MASSACHUSETTS FINANCE.

Historical Sketch of the Finances and Financial Policy of Massachusetts from 1780 to 1905. By Charles J. Bullock, Ph.D. (May, 1907. New York and London. Price in paper, \$1.00. Pp. 144.)

AN added interest is given to the book before us by the leading part which the Colony of Massachusetts played in the War of Independence. Prof. Bullock relates the financial history of the newly-formed commonwealth, and shows how, in spite of many early errors, it has elaborated a system that is a model to other States of the Union. His object has been less to set down his own opinions, than to trace the course of events in such a way as to enable readers to form without difficulty their own conclusions. Without going closely into financial lessons of the past, he has been "content to describe policies, estimate critically their results, and allow the narrative to point its own moral." Thorough discussion, pointed by brief but telling criticism, has been accorded to every fact of importance, and provides the student of fiscal problems with a comprehensive narrative. One cannot but think, however, in view of the amount of special knowledge at his disposal, that the author might have been well advised to "point the moral" more frequently and at greater length. Taking, as he has done, the whole history of Massachusetts, difficulties have cropped up in the treatment of separate but correlated subjects, such as expenditure, debt, and revenue; but Prof. Bullock has not chosen the easier, but—in its results—more clumsy method of tracing the history of each problem by itself, with the consequent disadvantages of repetition, and of causing the reader to lose touch with the financial development as a whole. He has divided his book into periods of time, and treated the financial problem as a whole in each of them, and, where necessary, traced each separate problem separately; and what too often becomes in less skilled hands a hopeless jumble of facts, becomes with him a consistent, compact and comprehensive narrative in which the whole does not overshadow the parts, nor the part cause us to mistake the meaning of the whole.

The first period of the six into which the history is divided comprises the fourteen years (1780-1794) in which the war debt was gradually extinguished. This consummation was retarded by the failure to make full use of the State Tax on polls and estates,

an impost in many ways similar to the English Income Tax, and by an unwise use of State credit, so that in spite of various experiments in taxation, the debt was not funded upon a sound basis until after the assumption of State debts by the Federal Government. So far, the history of Massachusetts has been largely a catalogue of mistakes, as Prof. Bullock shows, but in the next period (1795-1825) the charge for interest on the debt was almost extinguished, and the State began to turn capitalist, on the whole with success, though with two disastrous exceptions in later years. The result was the temporary disappearance of the State Tax. Like the English Income Tax, its abolition was the ideal of financiers, but both had finally to be re-imposed, the one to carry out great reforms, and the other merely for purposes of ordinary revenue, and then not till several years after it had been imperatively needed. One characteristic of this State's finance has been the alternating fits of extravagance and of often ill-advised economy, and the temporary remission of the State Tax no doubt gave an impetus to the former. The attempt at its permanent abolition in the third period (1826-1860) led to further extension of those subsidiary taxes which had been begun with the Duty on Auction Sales in 1795 and the Bank Tax of 1811. The various Corporation and Franchise Taxes have provided, and still provide, no inconsiderable part of the State Revenue, and Prof. Bullock might have criticised the theory and practice of such taxes at greater length than he has done. The period of War Financiering (1861-1867) is chiefly remarkable for the sound financial instinct that enacted that "the principal and interest of all loans should be payable in coin," a policy of which the State still continues to reap the advantages, and the unsuccessful railway projects, and the extravagant expenditure of the first years of the fifth period (1868-1880) led to another fit of economy; but for the last twenty-five years an increasing expenditure took place that has grown more rapid since 1889. Due to the growth of public wants and very little to maladministration, this development is declared by Prof. Bullock to be justified not only in its results, but in its administration. "No State in the Union provides more generously and wisely for public wants, and this is done without serious pressure upon the resources and industries of her people." A carefully elaborated sinking fund system has been established, and reform is needed, if at all, we are told, in local, not in State, finance. The commonwealth is benefiting by the lessons and the policy of past years, and the outlook for the future seems entirely favourable.

The whole work is illustrated by comparative statistical tables, which have the merits of being easily comprehensible and of giving exactly the information required. The last chapter, however, is somewhat spoiled by the number crowded into it. The footnotes are copious, the bibliography ample, and the appendices very useful. There is, however, some difficulty in finding one's way about the book from the failure to print the titles of the chapters at the top of each page. An index also might have enhanced its value. Prof. Bullock, however, is to be warmly congratulated on an interesting work full of information, whilst the thoroughness of the treatment cannot fail to be of great use to serious students.

N. B. DEARLE

The Taxation of the Gross Receipts of Railways in Wisconsin.
By GUY EDWARD SNIDER. (Macmillan and Co. Pp. 138.)

THIS small volume is the outcome of an inquiry into the system of taxation of railways in Wisconsin, and the title indicates that the inquiry has been limited to that State. This is by no means the case, and the book might be better described as an investigation into the merits of the system of taxing railways in the United States on the basis of their gross receipts. No inconsiderable part of the book is occupied with a comparison between the systems of taxation in Wisconsin and Michigan, whilst the main portion of a chapter is devoted to a survey of the *ad valorem* system of taxation as found in Missouri. As a result of attempting to cover so much ground in so little space, Mr. Snider often leaves a point without satisfying the reader that he has got to the root of the matter.

The book cannot be described as lucid, and there is some difficulty in discovering what conclusions have been arrived at as the result of the inquiry. On the whole they appear to be in favour of the system of taxation of railways on the basis of the gross receipts. The author of the book finds that system just for the most part, experience showing that it automatically adjusts itself to increase in ability to pay. Further, it has the advantage that gross receipts are not easily manipulated and consequently the tax is not easy of evasion. The *ad valorem* system appears impossible in the United States. Apart from the difficulty of arriving at any economic standard of valuation, the exercise of political influence produces inequalities which are unbearable.

One statement we cannot pass over. In the course of a
No. 67.—VOL. XVII. F F

discussion on "the equality of burden of taxation on gross receipts," Mr. Snider writes :—"In the case of two or more railways it must be shown that roads having equal gross earnings per mile have an equal amount of capital invested and equal net earnings." Surely it is a matter of the ratio of net earnings to capital, and not a question of equality. So long as the net return on the capital works out the same, there is no reason to require equality in the individual items.

The book is full of typographical errors, and it is to be regretted it has not been more carefully edited.

W. STEPHENSON

Industrial America. By J. L. Laughlin, Ph.D. (London : Hodder and Stoughton, 1907.)

THIS volume is the outcome of an excellent arrangement by which Germany and the United States have agreed to make an interchange of professors. Prof. Laughlin, of the University of Chicago, was invited by the German Cultus-Ministerium to deliver a course of lectures before the Vereinigung für Staatswissenschaftliche Fortbildung in Berlin, and some of the lectures were also given at Cologne and to the students of the University of Berlin. It is noteworthy that the lectures were delivered in the German language, though they now appear in presumably their original English form. At the suggestion of those who invited him, Prof. Laughlin took for his theme "The Industrial Problems which are at present occupying public attention in the United States," and the seven "pivotal issues of the day" with which he deals are :—American Competition with Europe ; Protectionism and Reciprocity ; The Labour Problem ; The Trust Problem ; The Railway Question ; The Banking Problem ; and the Present Status of Economic Thinking in the United States. It would be unreasonable to expect that in a volume of two hundred and fifty pages this group of subjects could be exhaustively discussed ; indeed, any single one of them would easily provide material for a volume double the size. Prof. Laughlin too was naturally obliged to remember not merely the space and time at his disposal, but the audience to which the lectures were to be given. His treatment is, therefore, largely explanatory, aiming chiefly at a straightforward analysis and exposition of industrial conditions, at the subordination of detail and controversy to the presentation of broad results. On the assumption that his classes were probably unfamiliar with American economic history, the professor has rightly desired to sketch the situation as a whole, relying rather

on lucidity of method than on original research. The book is certainly an interesting one to read. The intrinsic importance of the subjects selected, their bearing on cognate problems in Europe, the freshness and clearness with which they are handled, the vigour of phrase, and the stimulating confidence in the verdicts expressed combine to banish the dullness that still clings to much economic writing. A British student would probably add also that the value of the lectures is enhanced no little by the fact that they are the work of a professorial critic, and that much of the subject matter is directly relevant to controversial issues, fiscal, industrial, and social, still under discussion amongst ourselves. Of the seven lectures, the sixth, on the Banking Problem, is the most technical, and will only appeal to those who have mastered in detail the complicated and difficult details of American and European finance in their widest bearings. Yet even here there are some general propositions worth noting. For example, Prof. Laughlin holds that "almost no reform of our monetary system has ever been gained except by some great disaster" (p. 192), "that the work done by the deposit currency is a fair test of the expansion or contraction of general trade throughout the country" (p. 196), that in times of severe stringency "the currency system is not mainly or at all in fault" (p. 216), and that "the national banks never were in a sounder condition than they are to-day" (p. 221). The other five lectures will be more easily followed even by those whose knowledge of economic science is comparatively slight. The frank, not to say trenchant, criticism of American fiscal policy and its results enlivens the exposition and arrests the British reader's attention at once. It is not possible in a brief notice to do justice to all the points which Prof. Laughlin emphasises, but a few may be profitably cited to encourage examination of the book as a whole. Both the economic and the political aspects of protection, reciprocity, and taxation come in for severe strictures. Taxation, we are told, is badly laid; the duties are too high to produce the most revenue; the system, "it is openly admitted," holds back the United States from expansion of trade with foreign countries; reciprocity "in any real sense is a choice as to those to be sacrificed," and much more to the same effect. "It would be," says Prof. Laughlin (p. 50), "the height of folly for friends of the United States in foreign lands to refer to our country as an example of the happy results of protection," and when he passes on to analyse the political consequences of the tariff system his condemnation is even more precise:—

“ A measure (p. 52) which, on a great scale, brought private interest into the legislative halls; which has made a necessity of an unscrupulous lobby; which has opened the purses of millionaire manufacturers at every campaign; which has put at stake in our elections not merely political principles, but the continuance of our important industries; which has so far vitiated our electoral contests with questions of pecuniary rewards that it is impossible to obtain a fair and full discussion and settlement of great economic questions on their merits; a step which has poisoned the stream of justice in its very source in the law-making power. . . .”

This is indeed a comprehensive indictment, nor need the practical conclusions that the professor draws be followed up here, for they would take us too perilously into controversial issues of our own, involving politics even more than economics. Yet Prof. Laughlin is no pessimist. “ American idealism is,” he tells us with considerable force, “ the main source of American industrial progress.” Although “ technical training for the working classes in America is notably absent,” the fact that “ the greatest material inducements are in industry, and the strongest, most acute and most powerful intellects of the country are to-day in the service of production,” “ the striking inventive capacity which pervades all ranks of the American people,” together with the expanding needs and resources of the whole nation, correct the depressing conclusions suggested by a study of fiscal and tariff policy. Various aspects are carefully worked out in the chapters on Labour, on Trusts, and on the Railway Problem, and these furnish a suggestive commentary on, as well as challenge the views expressed in, the striking analysis of industrial conditions in Europe and America recently published by Mr. Shadwell. It is particularly interesting to observe that in the labour, in the railway, and in the “ Trust ” problems Prof. Laughlin is strongly of opinion that in the United States, “ instead of a tendency to Socialism and the abolition of competition, the trend is exactly in the opposite direction—towards a vigorous assertion of the enjoyment of free and equal competition.”

The last chapter, on “ The Status of Economic Thinking in the United States,” is a little disappointing, probably because it is virtually impossible to treat such a topic satisfactorily in five-and-twenty not very large pages. But the *obiter dicta* scattered through this short survey invite careful consideration, particularly the broad conclusion that, “ in spite of the very considerable

intellectual ferment among economic students, in spite of much admirable writing intended for popular consumption, it remains true that the professional economists have very little influence upon the convictions of the great body of our people." Professors of political economy in the United States, as elsewhere, apparently are only valued by politicians and electors in so far as they are prepared to confirm the arguments and aims of political parties, and the unfavourable criticism by the professors of "the extreme policy of American protection" has not merely exposed them to personal satire and insult, but has caused a deplorable scepticism as to the value of the science they profess. This is not very encouraging. But Prof. Laughlin proceeds to emphasise two other notable considerations—the low estimate put upon the teacher as such ("as yet a position as instructor in a college or university carries with it no dignity and little honour"), and the high value set upon purely material success in all branches of the national life. These, when linked with "the nebulous, untrained thinking of this gigantic electorate," are serious elements in the future of economic science in America. That a large and continuous dose of "the abiding optimism of the American people," that "belief that the ideal thing will soon come to its own," will vanquish these obstacles, is the professor's final conviction. It may be hoped that some day he will be able to show in a second course of lectures that he is right.

C. GRANT ROBERTSON

Die Englische Kolonisation in Irland. Von DR. MORITZ JULIUS BONN. 2 vols. (Stuttgart und Berlin: T. G. Cotta, 1906.)

Modern Ireland and Her Agrarian Problem. By MORITZ J. BONN. Translated from the German by T. W. Rolleston. (Dublin: Hodges, Figgis and Co.; London: John Murray, 1906.)

DR. BONN approaches Irish history from the economic side, giving a wide berth to the political and personal controversies with which most books on the subject are so greatly concerned. This method makes him instructive reading even where, as in the sixteenth and seventeenth centuries, he is greatly indebted for his facts to previous workers in the field. With pardonable acerbity he remarks in his preface that "Irish history, with a few notable exceptions, has been written by diletanti, fanatics and party politicians." But the exceptions have

proved most useful for his purpose; and his footnotes freely acknowledge his obligations to the works of Bagwell, Gardiner, Lecky, Prendergast, Miss Hickson, and Miss Murray. Although he shows great industry in working up the original sources where such guides as these writers are not available, we must confess that we follow him with more confidence when he is treading in the footsteps of others. Of his equipment as an economist there can be no doubt. But it is too much to expect that an economist should be versed in the detail of Irish history from beginning to end. For want of authoritative guides he is evidently uncertain of his path when he enters the mazes of Celtic tribal law and Anglo-Norman land-tenures. And, at the other end of his work, when he loses the assistance of Lecky, his treatment becomes comparatively jejune and halting. His separate essay on "Modern Ireland and Her Agrarian Problem" shows a close acquaintance with the history of the land-question since 1870. But between 1800 and 1870 there is a notable falling off in grasp and knowledge. We do not point out these lacunæ in order to reflect on Dr. Bonn, who sets an example of hard work which native writers might profitably imitate; but to indicate those parts of his work which seem most deserving of study.

A word must next be said of his attitude towards the conception of Irish nationality, so far as this influences the main conclusions of his work. The keynote of his longer book is the idea of the English colony as an alien community with interests separate from those of the natives. He traces the greater part of English difficulties in Ireland to the antagonism of the two nationalities. On the other hand he rejects the idea of treating national character or national institutions as primordial and sacred. Early in the "Kolonisation" he discusses the best-known estimates of the Celtic character (Mommson, Froude, &c.) and remarks that the traits which have been regarded as peculiar to the Celt are the common property of all races in the pastoral stage of evolution. He holds that institutions are moulded by natural conditions and the existing state of knowledge; national character he appears to regard as the product of institutions, and as therefore varying with the course of economic development. The conflict, then, between Englishman and Irishman has been a conflict between different stages of civilisation; and the ill-success of the Englishman is to be explained not so much by his own idiosyncrasies or by those of his opponent as by the material difficulty of raising the native Irish to that stage of civilisation in which their conquerors had been bred. He does not censure English statesmen for their

desire to anglicise the Irish. In fact he argues that the Tudors were largely influenced by those considerations which have led the democracy of modern England to govern coloured races according to the principles of English law. The Tudors believed that uniformity of law would strengthen the English supremacy and weaken the chiefs. But they also believed, with some justice, that it would improve the position of the Irish kerne by giving him fixity of tenure. Dr. Bonn blames the precipitation with which English statesmen pursued these objects, and the violence of the methods employed. But for the customary law of Celtic Ireland he has scant respect.

It may be objected that he has unduly emphasised the racial, to the neglect of the religious and economic, factors in Irish discords. Foreign observers, while they often perceive facts which escape the eye of the native, are also apt to present an unduly simple view of complicated situations. But Dr. Bonn has by no means ignored the feud of Protestant with Catholic, of landlord with tenant. He merely argues that it is the racial question which has made these feuds particularly virulent in Ireland. Protestantism long remained the religion of the Scottish and English settlers; and one main object of the penal laws was to concentrate all landed property in the hands of the Protestant interest. The present relations of Protestant with Catholic and of landlord with tenant are a legacy from the days when English policy was to emphasise the distinction of races. Such seems to be the author's view of the case, and it is supported by his account of the old clan-system. To judge from the particulars which he has collected, the position of the Irish peasant was never worse than when his land was held under a chieftain of his own blood, and the tyranny of the chieftains tended in the fifteenth and sixteenth centuries to become more severe. Yet it was accepted by the tribesmen as part of the natural order, and the first relief which they obtained was procured not by their own efforts but by the intervention of the English government.

It is impossible to give, within the limits of a review, a satisfactory analysis of Dr. Bonn's longer work. But the main ideas which run through it may be shortly stated. The English colony, whether in the middle ages or in the seventeenth century, was large enough to constitute a grievance, but not to hold the country without help from home. Colonisation was a political necessity rather than a natural efflux of surplus population from England. The colony could only be maintained by offering great inducements to adventurers; whenever the fortunes of the English

interest were clouded there was a disposition on the part of the settlers to throw up their concessions or to become absentee landlords. The policy of colonisation was most successful in regard to the towns, which had always been centres of foreign influence. But in the open country of all the provinces, save one, the English government only succeeded in creating a landed aristocracy. The Ulster colony, with its relatively large proportion of poor and middle-class settlers, was in great measure a fortunate accident, the result of private enterprise. The great landlords of English or Scottish extraction soon realised, at every period of Irish history, that native tenants would pay higher rents and native labourers would accept lower wages than English immigrants. Thus the very class which was expected to further the colonial policy did much to discourage the process of immigration. Dr. Bonn contends that in several respects the English settlers contributed to increase material prosperity. They introduced better methods of agriculture. They founded markets. They introduced coined money, and they developed certain industries. But their tendency was to sink, in a few generations, to the level of the subject population; to adopt native manners and to accept native methods of agriculture and manufacture. Ireland was doomed by the scantiness of her natural resources and her geographical situation to remain a poor country. But her poverty was increased by an expensive government, by English interference with her industries, and by the devastating wars which resulted from an intermittent and languid policy of conquest. It was under the Commonwealth and the Protectorate that the policy of colonisation came nearest to success; and Dr. Bonn describes the thirty years which followed the Restoration as the golden age of Irish history. But the policy of colonisation was not continued as it should have been; and the strength of the colonial element declined from the Revolution onwards. The Tudor idea of assimilating Ireland to England was abandoned, for it was now believed that the Irish Catholics were irreconcilable. Not only did the Whigs return to the old policy, expressed in the *Statute of Kilkenny*, of erecting a barrier between the immigrants and the natives; they also did their best to make the Catholics powerless for harm by excluding them from all offices and from the influence attaching to the possession of freehold property. The penal laws were designed less as a measure of vengeance than as a measure of self-protection. They were a confession of weakness rather than a tyrannous abuse of strength.

The third chapter of the fifth book—that entitled “The Irish

Landlord from 1700 to 1845"—will probably be the most interesting to economists. It exhibits very clearly the connection of political and religious agitation with the economic movements of the period. From Dr. Bonn's point of view the salient facts of this century and a half are the great rise of rents between 1760 and 1800, and the equally remarkable decline which followed. In company with many writers, from Lord Cloncurry downwards, he lays stress upon the importance of emancipatory legislation as increasing the demand for land. But, since agrarian agitation dates from a period before the first measures of emancipation, it is probable that the growth of population was the decisive cause which produced the rise of rents. The early emancipation laws were no doubt expected to benefit the Protestant landlord, and must have done so in the rare cases where the improved rents did not go entirely to middlemen. But on the whole we are inclined to think that the emancipation movement was chiefly important, from an economic point of view, in so far as it diverted the attention of the peasantry from the agrarian to the political grievance. By degrees O'Connell and his lieutenants were forced to recognise the agrarian problem in their legislative programme. But between 1800 and 1829 they were undoubtedly successful in relegating the question of rents to the background. It was by Committees of the British Parliament and by outside observers such as Sir George Cornwall Lewis that the economic side of the Irish problem was discovered and explained. The Irish land-laws of the period 1870-1903 are the outcome of the inquiries instituted by England in 1824 and 1825. It is true that the villain of the preceding period was discovered to be the middleman rather than the landlord. But the existence of the middleman was due to the prevalence of absenteeism; and the expropriation of the landlord was a necessary means to the end of eliminating the middleman. Dr. Bonn rightly calls attention to the stringent provisions of the modern law against middlemen as one of the most hopeful signs for the future of Irish agriculture. They are provisions which can only be enforced when the State is the universal landlord.

In spite of his wide acquaintance with the agrarian problems of other countries, Dr. Bonn can produce no exact parallel to the case of Ireland. He states that the standard of comfort is lower among the Irish peasantry than among any corresponding class in Europe, and hints that the best devised of legislative reforms may prove abortive for this reason. He is appalled by the statistics of agrarian crime in Ireland, and remarks that only in

Sicily and Andalusia can a similar record be found. He is equally struck by the thoroughness of the legislation which has been framed to meet the Irish problem; laws more radical in tendency, he asserts, are not to be found in any European State. It is natural, therefore, that he should express himself with hesitation as to the results of recent English policy. He is in sympathy with the general object of creating a peasant proprietary, and holds that Irish experience has falsified the current objections to such a system of agriculture. On the other hand, he feels that no legislative measures can ensure to every Irish family the possession of an "economic" (*i.e.*, a self-supporting) tenement. Such tenements ought to be at least of 20 acres; but to give every peasant holder a farm of 20 acres it would be necessary that hundreds of families should be transplanted. And, even if tenements of the required size were called into being, it would be impossible to prevent their subdivision in the second or third generation. At present the holder of an "uneconomic" farm has the opportunity of obtaining employment on a large estate. But when such estates are broken up and the peasant is entirely dependent on his land, the problem of the "uneconomic" holder will be more serious than it ever has been in the past. Improved methods of cultivation might diminish the gravity of the problem. But so far the small Irish farmer has shown no disposition to sink capital in his land; and there is little prospect that he will begin to do so now. "No legislation can deal with this problem." After all his appreciative criticism of modern reforms Dr. Bonn comes back to the position that no legislative measures, not even the introduction of a protective tariff, can produce prosperity in Ireland without the active assistance of the Irishmen themselves. His painstaking discussion of modern laws may sometimes produce the impression that he looks to Parliament for a settlement of the Irish problem. But in the last resort he attaches himself to the school of Sir Horace Plunkett and Mr. Rolleston, his translator, and concludes with the remark that "injurious legislation and governmental oppression may indeed be a check to progress; but the mere removal of bad laws is not enough to make a people great and strong."

H. W. C. DAVIS

Landmarks of Scientific Socialism (Anti-Duehring). By FREDERICK ENGELS. Translated and edited by AUSTIN LEWIS. (International Library of Social Science.) (Chicago : Kerr. Pp. 266.)

THIS is a reissue of Engels' polemic against his fellow-countryman, Eugene Duehring, translated and condensed into some 240 pages by Mr. Austin Lewis, who supplies an introduction and appendix to the treatise. It would be superfluous to examine in detail such a work by so well-known an author, which has been before the public for a life of more than thirty years. Engels himself accurately described its scope in his preface to those three chapters abstracted from it, which appeared together as "Socialism, Utopian and Scientific." "I had to treat of all and every possible subject, from the concepts of time and space to Bimetallism; from the eternity of matter and motion to the perishable nature of moral ideas; from Darwin's natural selection to the education of youth in a future society." All these topics and many others (somewhat condensed by the editor) we traverse; and under the author's guidance, trace the absurdities of Herr Duehring's "system" of Philosophy and of Political Economy and Socialism successively, in his views of the scheme of the universe, of cosmogony and physics, of natural philosophy with the "natural philosophical half-poetry" on which modern science is built; of the stability of eternal truths in morals and law; of the origin of evil which is somehow elucidated by the example of the cat ("There is no mystery then about evil if one can detect a mysticism in the cat or any other beast of prey"); of the basis of equality; of free-will; of the conception of progress—the "negation of negation"; of the philosophical reconstruction of economics as a whole; of the theory of value, and of socialism. Engels is not an antagonist sparing in blows, and his summary on p. 107 of the previous chapter on "organic nature" is typical of his whole attitude towards the would-be socialist of the non-Marxian school. "If the last chapter . . . be read, the empty, self-contradictory, assertive, oracular, stupid, circuitous, absolute nothingness of the final result lead one to the conclusion that Herr Duehring talks about things of which he knows very little, and this conclusion becomes a certainty . . ." Elsewhere he is said to be "silly and incompetent," "one of the most conspicuous types of those absurd pseudo-scientists, who to-day . . . drown everything with their noisy nonsense."

Beyond its interest as a study in polemics, what is the value

of the work (avowedly written for a special purpose) which justifies its reissue now? Neither Herr Duehring's conception of time and space, nor even Herr Engels' refutations thereof are of special value after the lapse of thirty years. "The battle has long since rolled away from the ground on which Engels fought," the present editor readily admits. It is as defending the ideals of the two opposite conceptions of socialism, the ethical and the utilitarian or economic, that the duel of the two protagonists can still be followed with some profit. "According to this view" (that of "all English and French, and of the earlier German socialists") "socialism is the expression of absolute truth, reason, and justice, and only has to be perceived in order to vanquish the world by reason of its truth." Duehring is all for "eternal truths" which shall convert the world to Socialism; Engels will have none of such weapons, nor, indeed, of "conversion" in any form. His faith is rather in "economic development," which, "without exception and inexorably . . . has attained its goal," and leads inevitably to Socialism. Duehring and Engels were neither the first nor will they be the last to approach the subject of Socialism from different standpoints. Perhaps the ultimate opposition between the two schools is less diametric than Engels thought.

Controversy brings out the points of a case, and amidst his diatribes on Herr Duehring, Engels finds leisure to present the doctrines of Marx in brief. The sections on Political Economy and Socialism supply the reader in a forcible and concise form with all the orthodox tenets of Marxism—and for this alone the translation should be of interest. There is the materialistic interpretation of history. "Let our ideologist dodge all that he can, the historical reality which he has thrown out of doors comes in again at the window"; the "doctrine of increasing misery" (the present system of production and distribution "has produced the daily sharpening antagonism between the continually less numerous but constantly richer capitalists and the more numerous, but, on the whole, continually poorer propertyless wage-workers"); the insistence on "class-consciousness" as an engine of progress, the orthodox theory of value, depending on "average labour-force" ("only so far as is socially necessary does private labour comprehend human labour in general"—an explanation which justifies the editor's comment on the probable incapacity of the "man in the street" to follow the author's point of view), and of surplus value, the elucidation of which is "the crowning glory of the work of Marx." In some eighty

pages of this edition Engels enunciates these familiar theses afresh and with immense vigour; disposes in a few energetic strokes of the arguments of the orthodox economist, and sweeps aside as absurdities the attempts of Herr Duehring at compromise and at gradual reformation of the present social system. Here we have less vindictive abuse of Duehring (we would wish that the editor had spared us even more than he has of the diatribes in the earlier chapters), and can therefore see the positive lines of the Marxian system. For this reason, as was said, the reissue will not be without value in a series of the type of the present.

Mr. Lewis is better as editor than as translator. He contributes a good introduction of some fifteen pages on the general lines of the book, with a brief appendix at the close. He points out very fairly in what details his author is not "up-to-date," but upholds the latter's main position warmly, and justifies his views as harmonising with the spirit of the twentieth century. But the English of the translation is open to considerable criticism—the quotations given above are fair specimens—the punctuation leads to ambiguity in some cases (as at the top of p. 52), and the book abounds in small misprints and omitted words.

VIOLET BUTLER

La Monnaie. By A. DE FOVILLE. (Paris: Lecoffre, 1907. Pp. 242.) *La Science Économique* (Troisième Édition, entièrement refondue). By YVES GUYOT. (Paris: Schleicher, 1907. Pp. 531.)

M. DE FOVILLE has a great advantage over most writers on this subject, in having a practical knowledge of it. He has studied Money as Director of the French Mint. The subject had indeed engaged his attention before his appointment to that office, in 1893. He had already computed the amount of money circulating in France by a method which was discussed in the *ECONOMIC JOURNAL* in 1892 (p. 168). It may be interesting to record here some of the results obtained by the latest application of that method. In 1903 the total value of the gold money in France (including foreign coins) was 4,800,000,000 francs; that of silver (at its "par," or nominal value) not so much as half this sum. Since 1903 additions have been made to the gold currency, but M. de Foville doubts whether it has been brought up to half the total amount of gold coin issued from the French Mint since the year 1795, a total of some 10,000,000,000 francs. We infer

that. the gold currency in France now amounts to about £200,000,000. Comparing this stock with that of other countries, M. de Foville accepts as "not improbable" the estimate of the American statisticians that the monetary stock of the world amounts to thirty-one milliards of gold, and sixteen milliards of silver (say £1,240,000,000 and £640,000,000 respectively). The amount of gold—whether as money, or in some other form—existing in the civilised world, he estimates at not more than forty milliards, that of silver at not more than thirty milliards. A useful summary of the monetary regulations prevailing in the different countries of the world is given in one of the descriptive chapters. We may also mention particularly the chapter in which the various operations by which an ingot is transformed into coins, are vividly, we had almost said visibly, set forth. In the description of monetary technicalities, M. de Foville has among economists only one rival, Jevons, who had been an official of the Australian Mint. But Jevons' "Money," compared with M. de Foville's, has the disadvantage of age.

Practical acquaintance with details is not always accompanied by the art of communicating knowledge. But M. de Foville is a master of this literary art; as will be known to our readers from the specimens which we occasionally give of his contributions to *L'Économiste Français*. He seems to apply to economic writings the Horatian prescription for poems: *Non satis est pulchra esse . . . ; dulcia sunt*. Illustration and anecdote are happily employed to win attention to economic truths. For example (with reference to the laws of exchange and value):

"If at a raffle [*une tombola*] a little boy has won a doll and a little girl a gun, both will be dissatisfied [*décus*]; but a simple exchange will suffice to change their disappointment to joy."

"When the King of Prussia reproached a celebrated ballet-dancer with getting higher pay than the Marshals of his army, 'Very well, Sire,' she replied, 'make your Marshals dance.'"

Such specimens suffer by being transplanted from their original context, and their native French. Otherwise we should have been tempted to cite some other passages, for instance, the one in which we are told "where the gold and silver go" (ch. XII.).

Among the objects which a popular treatise on Money should aim at, M. de Foville has properly included the refutation of sophisms. It is, indeed, a principal achievement of economic science in a region where first appearances are generally deceptive. As a *malleus hereticorum*, M. de Foville has a certain affinity to

the compatriot with whom he is here bracketed. They agree in condemning the same classes ; but they differ in their methods of trial. We shall illustrate this contrast by comparing the pronouncements of the two authors on some of the disputed questions in monetary science.

The "quantitative theory" of money is handled by M. Yves Guyot in such a manner as to leave us uncertain what effect on prices, in his judgment, might be expected if the quantity of gold in the world were to be now increased in the same proportion as after the discovery of America. He does not emphasise the truth which J. S. Mill had in view when he said (*Pol. Econ.*, Book III. ch. VIII., § 2) that "the demand for money differs from the demand for other things . . . there is always a demand for as much money as can be got." M. Yves Guyot refers to Professor Marshall's observation on an influx of gold stimulating speculation. A careful study of Professor Marshall's evidence (Appendix to the Report of the Gold and Silver Commission, 1887, Q. 9629 *et seq.*) would show, we think, that the quantitative theory is not quite so otiose as M. Yves Guyot has conceived. The theory is judged more justly by M. de Foville.

"The influence exercised by the rarity or abundance of money on its value and consequently on the general level of prices is indubitable, as history shows."

"Prices depend indisputably on the quantity of money-matter that commodities put on the market [*mis en rente*] are confronted with [*rencontrent sur leur chemin*]; and if the quantitative theory was limited to this statement we should have no objection, no reservation to formulate."

We have no objection to M. de Foville's careful statement of the theory. But we make a reservation in favour of the statement given by Mill, of which M. de Foville says:—"Stuart Mill himself went too far when he affirmed that the rise of prices is inevitable [*fatale*] whenever the quantity of money is increased." Stuart Mill may seem to say so in some passages, taken by themselves, but it will be found that they are accompanied with "qualifications" which, under a complete system of credit like that existing in England, render the proposition an extremely incorrect expression of the fact (*Pol. Econ.*, Book III., ch. VIII., § 4). If he says that "the general state of prices cannot be corrected without the subtraction of actual money," he immediately adds, "or an annihilation of credit equivalent to it" (*ibid.*, ch. XX., § 3). Mill seems to us to differ from M. de Foville only in being less perspicuous.

Lét us take another debateable subject, Index-Numbers.

According to M. Yves Guyot, Mr. Bowley, in his *Elements of Statistics*, commits an error when he says, "It is required to find the value of gold when measured by the prices of other commodities" (Yves Guyot, p. 202 and p. 217; Bowley, p. 111). Mr. Sauerbeck, too, is blamed for having sought a common cause underlying the price-variations which he has ascertained. "Index-Numbers," says M. Yves Guyot, "can never comprise all the objects bought and sold"; and the movements of all prices are not the same. What Mr. Bowley ought to have said is, "It is required to find the value of certain commodities measured by gold, according to the monetary standard" [*d'après l'étalon monétaire*]." This is as much as to say that an astronomer ought to confine himself to measuring the change in the distance between the solar system and certain stars; he must not attempt thence to infer the motion of the sun through a host of stars. A less remote illustration is afforded by an experiment which is recorded in a former number of this JOURNAL (vol. XI., p. 413). A person walking down Piccadilly counted the number of omnibuses which met him, and the number which passed him; and from the comparison of these numbers deduced the fact of his own progress. For M. Yves Guyot, such observations—like the "yellow primrose" to Wordsworth's *Peter Bell*—are "nothing more" than particular measurements. Of course, common sense must be employed by one who makes inferences from such observations. If the vehicles had consisted of a funeral procession moving uniformly in one direction, and a train of ordnance wagons in the opposite direction, the movement of the pedestrian could not equally have been inferred. M. de Foville seems to have better caught the spirit of the method:—

"Prices have common causes of rise and fall . . . but there exist also for each of them special influences, and, in fact, far from seeing them all march together in the same direction and at the same rate like soldiers on parade, we see them performing evolutions [*évoluer*] as confusedly as the crowd in a street, some going up while others go down, some running while others stop and rest."

It is a deep remark that since the beginning of the world, the generations of men have had a sort of intuition of the current, sometimes progressive, sometimes retrograde, which prices, as a whole, obey, notwithstanding the influences special to each, "which allows us to speak of *prices* in the plural, and to lump them together [*solidariser*]." As to the construction of Index-Numbers, M. de Foville appears to take up Sir Robert Giffen's position; he has a theoretic preference for the weighted mean, but is content with the common average.

Others, forgetting that the better may become the enemy of the good, have preached geometric and harmonic means, medians, and Lord knows what [*que sais-je*]. Distrust these useless complications."

Is the median more complicated than the common average?

The arguments of the Bimetallists are led out for execution by M. Yves Guyot. But he hardly does justice to two of the chief arguments: the principle of independent variations—the "double reservoir" in the metaphor of Jevons—tending to stability of value, the contention that the rupture of the bimetallic tie in 1873 precipitated the value of silver which that tie had long maintained at a par with gold. Among the objections, which he says the Bimetallists have never answered, is the old one.

"If the *fiat* of Government [*le cachet de l'État*] is adequate to fix the value of money, why should not bimetallists ask for equality between gold and silver instead of contenting themselves with the ratio $15\frac{1}{2}$ or 16?"

A complete answer has, we think, been given by Sidgwick (*Pol. Econ.*, Book II., ch. V., § 6, ed. 3) and by Prof. Nicholson (*Money*, p. 303, ed. 5). Walker's metaphorical answer is perhaps sufficient. Two horses with somewhat different paces can be yoked so as to run together; but this does not prove the wisdom of that backwoodsman who, about to travel for the first time by train, thought to evade taking a ticket for his dog by cunningly tying the animal to the back of the hindmost carriage. It may be that the fable of the dog better represents the facts of the case; that, as things have turned out, if silver had been tied to gold, it would not have been able to keep up with gold; but prior to experience, the argument based on the other possibility was not so absurd. On this matter M. de Foville shows himself as usual a severe, but not an unjust, judge.

"Certainly the written law is not omnipotent in monetary matters, and history proves this superabundantly; but we should also deceive ourselves by denying to law all influence on value, and history serves equally to prove this, since the ratio of $15\frac{1}{2}$ established by the French law between the value of gold and silver lasted more or less perfectly [*tant bien que mal*] for three-quarters of a century."

But this effect, he thinks, must always be precarious: the legal solder would not resist the shocks of circumstance.

The Austrian theory of value is distasteful to both the French writers. But it is remarkable that M. de Foville has adopted curves of supply and demand *à la* Cournot. His appreciation of this method—of what it does, and what it cannot do—appears

fair enough; if we take into account that his limited subject did not lead him to consider the use of mathematical conceptions in enabling us to apprehend the complex mechanism of Distribution and Foreign Trade.

We have not obtained much help from M. Yves Guyot's definition of value :

"Value is the relation [*rapport*] of the utility possessed by an individual or a group of individuals to the wants and purchasing power of several other individuals."

His definition of Capital appears to us equally obscure. After enumerating the definitions given by his predecessors—Stuart Mill, Leroy-Beaulieu, and the rest—he concludes :

"All these Byzantine distinctions, all these confusions are swept away by [*disparaissent avec*] the following definition: '*The word capital designates all the utilities performing economic functions*' [*faisant fonction économique*]."

It is fair to add that obscurity is not characteristic of M. Yves Guyot's style. In general he is delightfully clear and concise. The masses of facts by which he supports his arguments are presented with admirable lucidity. In his mastery of facts and figures, in his use of arguments effective against the cruder forms of the causes which he combats, he may be compared to the late Edward Atkinson of Boston. He might even be compared, as to method rather than style, with Bastiat, by those who adopt the verdict of Cairnes and other English economists as to the scientific character of the author of the *Harmonies*.

F. Y. EDGEWORTH

Baumwollproduktion und Pflanzungswirtschaft in dem Nordamerikanischen Südstaaten. By DR. ERNST VON HALLE. Zweiter Teil: *Sezessionskrieg und Rekonstruktion; grundzüge einer Wirtschaftsgeschichte der Baumwollstaaten von 1861–80.* (Staats- und Socialwissenschaftliche Forschungen, herausgegeben von GUSTAV SCHMOLLER und MAX SERING, Band XXVI., Heft 1.) (Leipzig: Duncker & Humblot. Pp. xxvi, 669).

It is many years since Professor Ernst von Halle began his minute investigation into the history and economy of cotton production in the Southern States of North America. The first volume was issued in 1897, the second is now before us, and a third has yet to come. It is to be hoped that the interval between the second and third will be less than the time which elapsed between the appearance of the first and second instalments, the

length of which, no doubt, was partly occasioned by the preparation of the ponderous two-volumed *Die Schiffbauindustrie in Deutschland und in Auslande*, issued by the same author in collaboration with Herr Tjard Schwarz in 1902. The present volume, which is concerned with the transformation of the industrial order in the cotton States as a consequence of the war and the new policy to which it led, is based upon information gathered on the spot and a seemingly untiring study of the immense literature which exists upon the subject. It is divided into three books. The first, which deals with the economy of the confederate States, covers the war period, and is designedly made to contain much detailed political history. It includes also accounts of the cotton famine in Lancashire and the Northern States, and much information is given upon the course of the policy of restricting export, at a time when a large trade might have been carried on, which was pursued in the hopes that Europe would be starved into intervening in the interests of the South, and which not only intensified distress in the districts of the cotton industry but recoiled upon its promoters in causing a needless limitation of the resources of the South. It might have been thought that the suffering in the New England States (the home of belligerents, and therefore more completely cut off from supplies, and where, indeed, the price of cotton did rise higher than in Lancashire) would have been greater than in Lancashire, but it did not prove to be so, owing to the policy already referred to, which, fortunately, was not persisted in throughout, the lesser extent of the cotton industry in the New England States, the demand in the vicinity for the army and for labour to fill the places of those who joined the army, and to the fact that cotton was obtained *via* Liverpool. The bitter experience of Lancashire was mitigated in some degree by the development of other sources of supply; it would have been interesting if the ultimate outcome of the efforts directed to this end had been traced. Upon the causes prior to the war of changes in the price of cotton the author seems to the reviewer to go somewhat astray. He attributes the rise in price of the " 'fifties " to the growth of spindles outstripping supplies of raw material (p. 244), but, *a priori*, there would be no reason to expect any such discrepancy to continue, and the rise was not much greater than that in general prices which Jevons rightly attributed in the main to the gold discoveries. Book II. shows us the dissolution of the old order in the South, and Book III. attempts at reconstruction. No contrast could be greater than that between conditions in the South prior to the war

and those which prevailed after the country had again settled down. In 1861 the large estate worked with slaves was the rule; at the period with which this volume closes the aristocracy of the South had almost disappeared, the small planter was producing the bulk of the crop, a rent and tenure problem was being agitated, and the negro was again felt to be in a position far from satisfactory, though Professor Halle claims advance and points out that if the optimism of the friends of the negro had not been justified by events neither had the pessimism of those opposed to his freedom. The efficiency of the negroes as handworkers is said to have declined when compulsion was removed, and from decent factory work they were excluded by the prejudices of the whites, though probably the actual hardship inflicted was slight, as few sought to enter them. And at work on the land they could hardly be said to excel. Professor Halle quotes from the Geological Survey of Alabama for 1881-2 to the effect that on the most fruitful land the population was black, the farmer was incapable, manure was not used, credit was bad, and the produce per acre was less than on the poorest land worked by the whites; and that the best agriculture was practised where the two races were about equally balanced. These results, moreover, it is pointed out, were not peculiar to Alabama.

This work is as nearly exhaustive as a history can be which is not intended to serve solely as a work of reference, and it will worthily rank as the chief authority on its subject for many years to come. From careful, realistic studies like this, especially when they bear upon an industry which has passed through so varied an experience as cotton-planting in the Southern States of North America, it ought to be possible to frame some useful general economic and sociological ideas of wider application.

S. J. CHAPMAN

Trattato di Politica Commerciale. By Prof. Luigi Fontana-Russo. (Milan: Hoepli, 1907. Pp. 640.)

A LARGE part of this book covers ground treated in Gerbino's *Commercio Internazionale*, which was reviewed in the June number of the ECONOMIC JOURNAL. Here, as in the other work, great industry and a wide knowledge of the literature of the subject are apparent, but there is not, perhaps, any large evidence of original thought. The book is, indeed, an essay in exposition rather than in research, lucid, well-arranged, and easy to read, but probably—at least in this country, where the Ricardian theory of foreign trade has been so often expounded—of more value to

beginners than to those already acquainted with the main lines upon which the discussion of the subject has been accustomed to proceed.

A. C. FIGOU

The Colonial Conference. The Cobden Club's Reply to the Preferential Proposals. (Cassell and Co., 6d.)

As might be expected, the Cobden Club is uncompromising in its opposition to Preference. The fundamental objection to anything in the way of an attempt to "draw away trade from the routes which nature prescribes," or to "a commercial policy adopted for political purposes," as urged (p. 24) against the subsidising of the "all red" mail route, is really at the root of their dislike of Preference. In this pamphlet, however, the question of Preference is discussed on what would generally be called practical grounds. An attempt is made to estimate the value of the preferences already granted by the Colonies, and to show that they are not of much importance, and are not likely to become so. From the statistical tables of Canadian trade, the inference is that American imports into Canada increased both absolutely and proportionately to the whole more rapidly than British imports up to 1898. Since then the proportions have been fairly constant, American imports remaining considerably the larger. As a market for Canadian exports, Great Britain still has an appreciable lead, and there does not seem to be any distinct change since 1901. Much of the American imports into Canada consists of duty-free raw materials and of semi-finished manufactures taxed at low rates. The average tax on American taxed articles is about the same as the average on British articles, in spite of the Preference. Looking at particular items, British trade in woollens has increased from \$5,576,859 in 1897 to \$14,739,776 in 1906. "It looks as if Preference had assisted in strengthening our woollen and carpet import trades, but had produced no very appreciable effect on other textiles" (p. 35). In metals and machinery, the United States continues to predominate. In some of the minor trades, such as glass, leather, drugs and chemicals, curtains, carpets, jams and pickles, "Great Britain has made a more rapid advance since 1897 than the United States; but in most others the Preference has not succeeded in deflecting into British channels the increasing trade either of the United States or the Continental European countries" (p. 36).

. Much stress is laid on the determination of Canada to protect her own industries, and it seems to be implied that British trade cannot expect to increase very much in future on that account. One is tempted to refer to Mr. Lloyd-George's triumphant demonstration to the Colonial Premiers that the tariffs of Europe and the United States had not prevented a great expansion of British trade, and to suggest that Canadian Protection, though doubtless a hindrance, is likely to be less effective than that of the more populous countries.

The Cobden Club is sceptical as to the continuance of the Preference. The new intermediary tariff suggests reciprocity with foreign countries, especially with the United States. The argument appears to be that a commercial *rapprochement* between the United States and Canada is inevitable, whatever we may do. Too much seems to be made of the territorial contiguity of the two countries. After all, Canada is likely to be for a long period a large exporter of raw produce and foods, for which there is more need in Europe than in the United States, and an importer of manufactures, many of which Europe can readily supply without excessive freight charges.

There is much more in the pamphlet which would take too long to discuss. The statistical facts are given correctly so far as we have observed. It is the lessons to be drawn from them that are so disputable. Nearly everyone can be made to serve as the basis of an argument for either policy.

C. F. BICKERDIKE

NOTES AND MEMORANDA

THE INCOME-TAX IN HOLLAND.

It may interest the readers of this Journal to receive some information regarding a Bill which has been presented to the Dutch Parliament by the present Minister of Finance, Dr. de Meester, which tends to modify some of the details—though none of the principles—of the existing system of income-tax legislation in Holland. This system has been well explained by Professor Edwin R. A. Seligman in his *Essays on Taxation* (pp. 322–330), published in 1898. It will be useful, however, to sketch its main features, especially because one of them has not always been properly understood.

We have in Holland not one single income-tax; we have two taxes which combined are intended to tax the whole income. The first is the *Property Tax*; it taxes the value of all the property that a person possesses beyond a certain amount (fl. 10,000) at a certain rate— $1\frac{1}{4}$ florins for every 1,000 up to 200,000 florins; the remainder is taxed at the rate of 2 florins for every 1,000. It follows that the owner of property worth

50,000 florins pays	50 florins, or 1·000 per mille.		
100,000	112 $\frac{1}{2}$	1·125	„
200,000	237 $\frac{1}{2}$	1·1875	„
400,000	637 $\frac{1}{2}$	1·5937	„
1,000,000	1,837 $\frac{1}{2}$	1·8375	„
12,000,000	23,837 $\frac{1}{2}$	1·9864	„

The second tax is called the *Tax on industrial and other revenues*, to which all incomes are subject which do not fall under the property tax. In the case of a mixed income—income from property used by its owner for commercial or industrial purposes—the law assumes that 4 per cent. of such capital has been taxed already by the Property Tax, so that only the remainder falls under the other tax. To put it briefly. Let the income which a man draws from his business be 10 per cent.

of the capital invested; then the tax on industrial and other revenues will only take account of so much of these 10 per cent. as remains after a deduction of 4 per cent., which means that the industrial income will be taxed as if it amounted only to 6 per cent. of the capital invested.

Both taxes are graduated, and the graduation has been arranged in such a manner that industrial incomes are taxed at a higher rate when the recipients are also owners of property. A man, for instance, receiving an annual salary of 10,000 florins, will pay more if he is also a capitalist than he will pay if he has no other income besides these 10,000 florins. It is unnecessary to dwell on the rather complicated provisions which have been framed for this purpose, for one of the chief motives, which led the Government to make the proposal I shall presently explain, was to simplify this part of the legislation. It is extremely difficult to bring two graduated taxes, each of them taxing only a part of the income, so in harmony with each other that their united working is the same as if they formed only one tax. The object, indeed, has been attained by the Dutch law, but it must be acknowledged that this could only be done by reducing the graduation (practically speaking, for there are separate scales for the minor incomes) to two stages. In the property tax there is no higher *rate* of taxation above the 2 florins for every 1,000; this rate is applied to all property exceeding 200,000 florins, however large the exceeding portion may be. In the tax on industrial incomes the same principle has necessarily been adopted. Of course, it would have been mathematically feasible to increase the number of stages indefinitely, but then the law would have been encumbered with further complications which would have rendered it a mystery to the ordinary reader.

In order to make this account of the Dutch legislation as complete as it ought to be for the explanation of the new Government proposals, I must add that the tax on income from property is, proportionately, much higher than the tax on industrial incomes. As the former is not expressed in a percentage of the income itself, but based on the value of the property, this does not appear at a glance, but can only be found out by a calculation. The law assumes, as we have seen, that the income drawn from property amounts to 4 per cent. of the capital value. It results from this that $1\frac{1}{4}$ per mille of the latter is thought equal to an income tax of $3\frac{1}{8}$ per cent., and 2 per mille to 5 per cent. An income from property amounting to 8,000 florins (£666) per annum on this assumption. is taxed 237 $\frac{1}{2}$ florins (£19 14s. 2d.);

an income from property of 16,000 florins (£1,333) is taxed 637½ florins (£53 2s. 6d.). The former is nearly 3, the latter nearly 4 per cent. Industrial incomes of the same amounts, however, are taxed only 1·8 and 2·48 per cent., supposing they comprise no income at all from property. Roughly speaking, the proportion between both taxes is about as 5 to 3. The Dutch taxation of income is both graduated and differentiated. ·

I now come to the alterations of the law as proposed by the Government, and it seems to me that the best way for explaining them is to begin with the latter point, the differentiation.

There are three methods of applying this principle. The first is the Prussian method, which consists in levying a general income tax and a moderate property tax besides. It is a very simple method if no graduation of any kind be aimed at in at least one of the taxes. This is the case in Prussia, and for that reason the Prussian system can never serve as a model to those who are unwilling to abandon the principle of graduation even to a limited extent. To the Prussian method there is also this practical objection, that people who have no other income besides income from property have to make two returns for the same object, the one based on the income principle, the other based on the value of property principle. Indeed, this difficulty is obviated in Prussia by a very simple means: for the Property Tax no returns are required at all. But this will hardly be thought a proper solution of the question.

The second method is the one applied in Holland and in several cantons of Switzerland. It consists, as we have seen, in subjecting the earned incomes to a separate tax which is proportionately lower than the other one. But there is a third method—I am not aware that till now it has ever been applied, though it is extremely simple. It subjects both classes of income to the same scale of rates, but instead of taxing the earned income on its whole amount—or on its whole amount above a certain minimum—it taxes only a certain percentage of it. The effect must be the same, because 3 per cent. of £100 are quite as much as 5 per cent. of £60. Now this is what the Dutch Minister proposes to do, and in adopting this method he gained another advantage. There is no *a priori* reason why, in respect of the differentiation, high and low earned incomes should be dealt with alike; on the contrary, strong grounds have been advanced for reducing the differences between the taxation of equal incomes according as the incomes become greater. This also forms a part of the Minister's proposal; though he does not

go so far as to equalise the rate of taxation for incomes exceeding a certain amount, yet he proposes a declining scale which commences by counting an earned income of £125 for only £50, and ends by counting earned incomes exceeding a certain amount for 80 per cent. of what they really are.

It will be obvious that by the adoption of this plan the difficulties about the graduation, referred to above, wholly disappear. The two taxes being merged into one, the stages may be ever so many without producing any complications, and, as a matter of fact, they are many in the Minister's proposal, beginning by $3\frac{1}{4}$ and ending by 6 per cent. of the income as calculated according to the provisions of the Bill. Let it be understood, however, that these 6 per cent. do not apply to the whole income, but only to the portion of it exceeding 28,000 florins (£2,333). The principle of graduation in this Bill is in every case applied only to amounts in excess of certain sums of money, up to a higher sum, where a higher rate obtains. On the other hand, I must also mention that the Bill does not provide a uniform taxation for all localities. In the Minister's opinion a difference must be made between places where house rents, local rates, and other expenses are high, and places where they are low; in the latter the burden of Imperial taxation will be borne more easily, and may therefore be made somewhat heavier than elsewhere. Whether this part of the Bill will be adopted or not is a matter of conjecture. Of course, in so-called cheap localities, it is contended that the cheapness is more apparent than real, and fully counterbalanced by the fact that many expenses, those for the higher education of children, for instance, are greater there than in big towns.

A clause in the Bill which gives more satisfaction is that allowing a deduction of 3 per cent. of the amount of the tax, though not more than 50 florins (£4 3s. 4d.) each, for every child not himself subjected to the income tax.

It would be asking too much of the reader's attention if I dwelled on all those details of the Bill which are only of secondary interest or which can only be fully understood when considered in connection with the general financial system of the country. But, in conclusion, I ought to say something of the manner in which the Minister proposes to estimate the income from property. As we have seen, the existing property tax assumes that property of different kinds produces (or can produce when properly invested) an income of 4 per cent. There was nothing that prevented the present Minister either from maintaining this

principle or from abandoning it. He has done the former. According to his proposals, the income from property will be taken to amount to 4 per cent. of its capital value. Only for real property it will be taken to amount to somewhat less, to 3·2 per cent.

It is a much mooted question whether in doing so he was right. Down from the time that the Property Tax was introduced (1892), it has been argued by many that a tax on income; let it be on the whole or on a part of it, should be based on the income as it actually is, not on any fiction regarding it. Shares and debentures, it was said, may produce in a given year, or even in a series of years, no revenue at all; still, in those years they are presumed by the law to produce an income of 4 per cent. High-class securities never reach that figure; the interest obtainable by the purchase of Dutch State bonds generally is no higher than $3\frac{1}{4}$ per cent. Of course there is strength in such arguments. But there is strength also in the arguments opposed to them, as I shall try to show.

Let us begin by realising what income is. Income is that which a person can afford to spend without growing poorer. A correct estimation of a person's income in a certain period ought, therefore, to take account of all losses and gains on the investments in that period. If a man has made £1,000 interest by the possession of securities worth £25,000 at the beginning of that period, and the securities are only worth £24,000 at the end of it, his income from this source will be none. A merchant, whose capital is wholly invested in his business, will be sure to reckon, according to this method. After the close of the year he will make a profit and loss account, and the balance will show him whether he made an income, and, if so, the amount of it.

No income-tax legislation, however, allows a holder of real property or of securities to follow this example. If it did, the Treasury in years of falling prices would be in an extremely bad condition. The law, in every country where an income tax exists, calls income what a person actually receives as the interest from his property, no matter how much the property has appreciated or depreciated. It is obvious, therefore, that we have little right, in comparing the two systems with one another, to say that the one is based on fiction, the other on reality. They are both, to a very large extent, based on fiction. The Dutch fiction is that property of different kinds will in the long run and on the average produce the current rate of interest. The fiction of the

other system is that gains and losses on investments will in the long run outweigh each other, so that the interest obtained will, on the average, be equal to the actual income. Which of these two fictions is the least objectionable is a question.

The system of the Dutch Property Tax has certain advantages which ought not to be overlooked. In many cases it depends upon an investor's own decision whether the income he draws from his investments will be large or small. He may be optimistic regarding certain classes of bonds or shares which other people will not touch, or he may subscribe to the well-known, though not wholly unobjectionable, doctrine that a high interest *means* a bad security. An investment, likewise, may be preferred by some on account of the chances it seems to offer of an increase of its capital value. A person, for instance, may be inclined to buy consols in a tight money market, because he expects that after a certain time, when money is easier, they will be worth more than they are now. The system of taking the income from property at a fixed percentage tends to neutralise all the various considerations determining the amount of the tax to be paid. It considers a given capital as capable of producing so much interest, and leaves it to everyone so to manage his investments that this possibility may be realised.

In regard to real property, this system also presents the advantage that it cuts short all questions about gross and net revenue. In many cases a landed proprietor will be at a loss to determine with any approach to accuracy the amount of his income in a given year. Very frequently it is only after the lapse of a rather long period that he will be able to classify certain portions of his expenditure on the land, because it will be only then that the effects of his outlays will manifest themselves.

A great deal more might be said, *pro* and *con*, on this topic, which certainly is not exhausted by these few observations. The importance of the question must not be overlooked; but it bears wholly a technical character, no principle whatever being involved in its solution either way. Still, I wanted to show that, technically speaking, it is a question worth discussing, and certainly not so simple as many people hold it to be.

N. G. PIERSON

The French Commission on the State of the Textile Industry and the Condition of the Weavers.

THE report of this Commission, which sat in 1904, was issued last year in five solid volumes. It contains masses of informa-

tion, not always well digested, about nearly all the textile industries of France; but, as the mandate of the Commissioners was vague and their task complex, they make no definite recommendations. The report's chief merit is that it serves as a quarry for the comparative study of economics. Quarrying is rather stiff work, for the report is inferior in quality and arrangement to most of the great English blue books. The situation of the hand-loom weavers, for example, is treated in a way that compares unfavourably with that adopted by our Commissioners and Assistant-Commissioners nearly seventy years ago; and the greatest issue raised before the Commission—whether textile wages had or had not fallen since 1882—is not handled in a satisfactory fashion. It is, of course, an extraordinarily difficult question, and the comparative failure in dealing with it was mainly due to lack of proper statistical data.

A strike among the linen weavers of Armentières, that led to rioting and the calling out of the troops, was the occasion of the Commission's appointment. The Prefect of the North tried to arrange an arbitration. The masters refused. M. Jaurès moved the House by a stirring account of the weavers' miseries, and the Commission was voted unanimously (Nov. 7th, 1903) to inquire generally into "l'état de l'industrie textile et la condition des ouvriers tisseurs."

The main subjects brought before it were the alterations in the Factory Acts and their effect on foreign competition; the character and policy of the men's syndicates; the tariffs; the working of the *conseils des prud'hommes*; the condition of the hand-loom weavers and small masters of all classes; and the wage question. Incidentally, the inquiries threw a great deal of light on the rise and fall of different manufacturing districts and the details of industrial organisation.

Factory Acts.—Under the French law of 1900, the working day for children, young persons, and women was reduced in 1902 to 10½ hours a day and 63 a week, and in 1904 to 10 hours a day and 60 a week. Where men work with these protected classes they must work the same hours; when no women or children are employed men may work 12 hours a day. In thus dealing with grown men France stands almost alone.

In certain trades women may work two hours overtime on 60 days in the year, and the mills may work on fifteen Sundays yearly, always with the consent of the Factory Inspector. The trades where this is allowed are scheduled as season trades, and include dyeing, bleaching, printing, weaving of novelties for dress

materials, spinning of fancy yarns, fine hosiery making, &c. Clearly the line between these and other textile trades is not easy to draw. The universal demand of employers was for an extension of this list and a general easing of the overtime regulations. (*See* I., 75; II., 148, 202; III., 51; IV., 50, 253, 279; V., 31, 251.) In one case, at Roanne (III., 359), the employers—fine cotton weaving—wished to have the hours rearranged “*de façon à nous permettre de continuer à donner à nos ouvriers l’après-midi du samedi,*” and at the same time work 60 hours a week. This is the only case in which a Saturday half-holiday is referred to.

The special grievance of the French employer with regard to factory hours is that the French law is so very much more exacting than the Belgian. As many of the chief textile centres, such as Roubaix, Armentières, Lille, Fourmies, Sedan, are within a stone’s throw of the Belgian frontier this is a very real difficulty. The President of the Tourcoing Chamber of Commerce, in an excellent report (II., 363), explains how the various economic advantages of Belgium—easier laws, lower wages, cheaper coal, cheaper land, lower duties on textile machinery, &c.—have caused a partial transfer of the worsted industry to Belgian soil. Belgian workers cross the frontier to go to their daily work in large numbers. At Halluin, which is absolutely on the frontier, the majority of the workers are Belgians (II., 519). The wool-combers of Roubaix-Tourcoing employ Belgians for all “*les ouvrages les plus désagréables*” (II., 196); they are more docile than Frenchmen, say the workmen (II., 289).

The Syndicats (Unions) are small, numerous, and normally weak. “*Nous ignorons l’existence de syndicats ouvriers,*” say the spinners and combers of Roubaix-Tourcoing (II., 197). The two most important unions at Lille have together only 1,600 members (II., 315). At Tourcoing there exist “*de nombreux syndicats pour la même profession*” (II., 395); the masters are alleged to have “*constitué en moins d’une année plus de 400 chambres syndicales de 30 membres chacune, sous le direction de leur contremaîtres et surveillants; ce sont les syndicats jaunes*”; the object is “*pour mettre entrave à nos syndicats et pour connaître nos syndiqués,*” say the men (II., 445). The “*yellows*” are said to be clerical in sympathy and “*ennemis de notre Gouvernement.*” A representative of the linen and hemp-spinning employers describes the unions as “*des états-majors sans troupes*” (II., 478). The Norman cotton-spinners did not know of their existence until the last strike (IV., 18), and, for

the most part, will have no dealings with them (IV., 34). The *Prud'hommes* of Rouen report that the unions contain but a minority "en raison des craintes que les syndicats inspirent à bon nombre d'ouvriers et aussi, on doit le dire, par crainte patronale" (IV., 99). In the Vosges cotton district there are few unions (IV., 264). In the St. Etienne ribbon trade "le nombre des syndiqués est très minime" (III., 313). Among the power-loom weavers of Roanne they number 8 to 12 per cent. (III., 368). Masters complain of their purely political character and of the predominant influence of outsiders; in many cases they express their readiness to deal with strictly professional unions of the English type. This view of the unions is supported, *e.g.*, by a *Juge de Paix* at Roubaix (II., 221), by the Lille Chamber of Commerce (II., 251), and others (II., 319, 478).

Tariffs.—The employers at Roubaix (II., 349) and in Normandy (V., 15) are strongly protectionist. So are those in the Vosges (IV., 275), and the majority of employers giving evidence. The manufacturers of pure silk goods at Lyons demand an extra duty (III., 11), so do the workpeople (III., 81); but the producers of mixed and fancy silk goods are indifferent and would apparently sacrifice the duty if they could secure the free import of yarns (III., 35). The small jute-weavers of the North and the ribbon manufacturers of St. Etienne also demand free yarn (II., 499; III., 247). The *Fédération nationale ouvrière de l'industrie textile de la France*, in a somewhat over-emphatic and over-coloured report, declares against the recent tariff policy of France (II., 300).

Conseils des Prud'hommes.—They are accused by the *Union des Syndicats patronaux des industries textiles de France* of being "too often" dominated by party spirit and of not fulfilling their real task—to serve as a "jurisdiction simple, rapide, peu coûteux et d'ordre purement technique" (I., 61). At Armentières their main business is that of dealing with cases of alleged unfair dismissal (II., 36). In the Est, owing to the scattered nature of the industry, the system is very imperfectly developed (IV., 269). In a few cases workmen assert that they are refused work because they have served as *Conseillers Prud'hommes*—*e.g.*, a case at St. Quentin (IV., 458).

Hand-loom Weavers and Small Masters.—The weavers frequently combine weaving with agricultural work in the old fashion, *e.g.*, at Le Catlet (IV., 485), St. Quentin (IV., 426), Tarare (III., 403). This combination of textile and agricultural work is found even among the combers of Roubaix (II., 195). In

the fine cloth manufacture of Sedan the hand-loom is nearly extinct (V., 149); also in the Norman cloth districts (V., 231). In linen it is still very common in many districts (*e.g.*, V., 213, Avesnes; II., 121, Bailleul; V., 241, Cholet, Maine et Loire, which has still some 8,000 weavers). About Lyons, owing to the decline of the hand-loom in the silk industry, "les ouvriers se refusent généralement à faire des apprentis" (III., 25, 88). Their condition is generally deplorable. They have clung too long to their old craft, and, unfortunately, "un bon tisseur à bras n'est pas bon ouvrier mécanique; il cherche trop le fini" (III., 124). The distribution of electric power appears to have helped them but little (III., 135, &c.). In the St. Etienne ribbon trade electricity is extensively used; in combination with "la démocratisation des articles" it has led to the reduction of weaving piece rates, and the substitution of women for men in the domestic industry (III., 238). There were 11,000 electrically-driven domestic looms about St. Etienne at the end of 1903 (III., 244).

A weavers' union from St. Etienne protests against the exemption of the domestic weavers from factory laws and inspection, and demands an eight hours' day for all (III., 271).

In most districts the decline of small masters is noted. An interesting exception is the hosiery trade of Troyes. Up to about 1894 the concentration of frames in factories proceeded steadily. Since that date numerous small workshops, in which the frames are driven by petrol motors, have sprung up. In most cases they are not true "family workshops," but have shared their immunity from regulation. The larger employers naturally object to this "unfair" competition.

Wages.—The men generally allege a fall since 1882, but in the machine trades are never really able to prove it. At times their replies are confused and contradictory. In nearly every class of handwork the great fall is admitted on all sides, and in power-weaving the masters are in several cases unable to prove any rise, *e.g.*, Tourcoing worsted, "les salaires n'ont pas changé depuis vingt ans"—report of Chamber of Commerce (II., 356). The men agree (V., 276). In spinning the rise is both asserted and denied—Roubaix-Tourcoing, wool (II., 211, 232, 285), cotton (II., 206); Lille, cotton (II., 280); Normandy, woollen (IV., 175, 203), cotton (IV., 12-13), &c. The most satisfactory figures come from the cotton industry, as in most countries. The masters in Normandy and elsewhere admit that wages were abnormally high for a time after the war, but are able to disprove

any general fall since 1880. An excellent series of figures from forty-one Norman cotton-spinning firms covers the whole period, 1882-1903 (V., 24). The spinner's daily wage rose from 4.52 to 4.88 francs, the big piecer's (*premier rattacheur*) from 2.62 to 3.01, the female frame spinner's (*veilleuse de continus*) from 2.31 to 3.07. Whether there was less or more *chômage* is, of course, a disputed and unsettled point. At Tourcoing the masters claim a 10 per cent. rise in cotton-spinning wages, in spite of shorter hours, since 1882 (V., 274). This is probably correct, as it nearly agrees with the Norman figures. The Tourcoing spinner makes 5.75-6.0 francs per working day, the piecer 3.65-3.75, the frame spinner 3.16. The Lille figures are slightly lower (V., 293), those of the Vosges a good deal lower (V., 335).

For wool combing and spinning at Tourcoing the employers also claim a 10 per cent. rise in twenty years; but the few comparative figures given do not all bear this out, *e.g.*, mule spinner's weekly wage, 1885, 34.50; 1903, 36.0; women's wages, 1885, 17.50; 1903, 16-20 (V., 273).

Miscellaneous.—Throughout the textile industries the joint-stock company (*Société anonyme*) is very rare (I., 12, 53; II., 159, 201; III., 51; IV., 40, 144, 442). True apprenticeship is practically extinct (I., 59; II., 250, 336; IV., 187). The fine cotton trade of Tarare has suffered greatly from the suppression of religious processions and orders (III., 401, 404). The fine cloth industry of Sedan is decadent (V. 121, 299). Italian competition is keenly felt about Lyons (III., 27), and also by the makers of shoddy cloth (*Drap de Renaissance*) at Vienne (III., 181).

The French exports are mainly of fashionable goods (silks, ribbons, fine worsted stuffs), and are extraordinarily dependent on the English market, in which they have *not* been gaining ground of late (II., 248, 378, &c.). Throughout all the industries complaints of stagnation and unemployment are very common. There is no sort of evidence in favour of the view that a protective tariff means full work; there is evidence that, without one, some of the French manufacturing districts might have suffered far more than they have. But for the tariff of 1892, say the Norman cotton-spinners, "we should have been all dead" (IV., 15). This, of course, is natural enough.

J. H. CLAPHAM

ARBITRATION IN THE FOREIGN CORN TRADE IN LONDON.

WHEN I first became a member of the Foreign Corn Trade in London, about fifty years since, disputes were rarely settled by arbitration, excepting in the trade with South Russia and the Danube. At present almost every difficulty is arranged by that method.

In the middle of the last century the magnitude of the trade was very much less than it is now. Consignments of grain by foreign houses for sale in England formed a larger proportion of the whole shipments than at present, the number of shippers was limited, and those consisting chiefly of old and well-known firms, who made their sales directly or by means of agents established in London to their clients, the importers.

As transactions multiplied disputes grew more numerous, and the buyers on this side became less disposed to leave themselves almost at the mercy of shippers. They could have recourse to law, but legal proceedings, especially when they have to be carried on in a foreign country, are so expensive and troublesome that in nearly all cases buyers refrained from legal action, and the unsettled grievance, after the interchange of a few letters charged with reproaches, menaces, and explanations, died a natural death.

The practice of arbitration, then, was adopted, but it grew up slowly in consequence of the resistance of shippers, who were naturally reluctant to surrender the position of advantage which they possessed, an advantage arising in the majority of cases not only from being placed on the legal defensive, but also from the fact that, when the shipment had been made, the seller had, according to custom, obtained payment in exchange for the shipping documents and the buyer only became aware of any defect in the quality of the grain after its arrival, and therefore subsequently to parting with his money. The majority of disputes arise upon questions of quality.

The earliest references to arbitration generally stipulated that each party to the contract should appoint a London Corn Factor to act for him, and that the decision of these arbitrators or that of their umpire should be final. As arbitrations became more numerous the field for the selection of arbitrators was widened, and all members of the London Corn Trade became eligible for selection.

In the year 1870 a Committee of Arbitrators was formed in London. Many people, especially sellers, were dissatisfied with

the practical working of the old method. Each arbitrator usually became an advocate for his principal, and sometimes difficulties arose in agreeing upon an umpire. The wrangling of two arbitrators, each championing the cause of his principal with a pertinacity similar to that of a zealous pleader at the bar, was not deemed conducive to a fair decision. The Committee was established to meet these objections. Twenty members were elected by the London Corn Trade to constitute this Committee, and the number has remained unchanged up to the present time. Half the members are elected from buyers and half from sellers, or their representatives, and all continue to be members until they retire voluntarily or become ineligible, when a new member is substituted.

The *modus operandi* of this Committee is as follows. Each party to the contract giving rise to the dispute is required to sign a request to the Committee to undertake the settlement. A Sub-Committee, consisting of three members, is then appointed to investigate the matter and draw up a report, which is laid before the next ordinary Committee meeting, who confirm or vary this report and issue an award in accordance, signed by the chairman; the award thus becoming the award of the Committee.

The fees on disputes relating to quality range from £3 3s. on quantities not exceeding 1,000 quarters up to £15 15s. for quantities exceeding 11,000 quarters. On disputes other than those relating to quality the fees are at the discretion of the Committee, the minimum being £3 3s.

In many respects this mode of dealing with disputes seems to me preferable to the older system. Besides accomplishing the purpose for which it was created, it supplies to some extent the place of an appeal tribunal. Two objections which have some force, have, however, been raised to this method. One is that the members of the Sub-Committee may not have any special knowledge of the quality of the grain, or of the other subject-matter on which they have to report, the other that a dispute can be settled more quickly by the old method. In practice I think that the first objection is fairly met by taking care that one member at least of the Sub-Committee shall possess the expert knowledge required, and by the fact that the award is made by the whole Committee after consideration, and, if necessary, revision of the report. The other objection cannot be entirely removed because an award can only be issued after the next Committee meeting.

The people who promoted the formation of this Committee

were chiefly, though not entirely, those who were interested in the grain trade with the Baltic and other ports of the North of Europe, and although its founders hoped that its operations would be extended to all branches of the foreign grain trade, that hope was never more than very partially fulfilled, and at present nearly all the disputes submitted to it for settlement arise out of contracts with Baltic ports.

Contracts for the sale of grain from nearly all other parts of the world usually contained the old arbitration clause, and no alteration was made, the sellers seemed fairly content with the old arrangement, and those accustomed to act as arbitrators resisted any change.

Such was the position of arbitrations up to the year 1886, when the London Corn Trade Association was incorporated. The objects for which this Association was established were manifold. It undertook to deal with contracts, charter parties, bills of lading, policies of insurance, arbitrations, the collection of samples, and to perform other duties to facilitate the working of the machinery of the grain trade. It has been a successful institution. At present by far the largest part of the English import trade in grain, and no inconsiderable part of that trade between foreign ports, is carried on under its contracts.

The Association numbers now (1906-1907) 430 members, and is managed by an Executive Committee of twenty-five members, who elect annually a president and two vice-presidents. One-sixth of the executive retire every year, and are ineligible for re-election before the following annual meeting. There is an Arbitration Appeal Committee, consisting formerly of twenty-five, now of thirty-five members, divided into five sections, one of which section retires annually, but the retiring members are eligible for immediate re-election. Members of the Executive Committee are usually, but not necessarily, members of the Appeal Committee.

When a dispute arises under one of the Association contracts it must be referred for settlement to two arbitrators, one appointed by each party; these arbitrators have power to appoint a third, and the award of any two of these is final, subject only to the right of either party to appeal. Contracts made on so-called "rye terms" are alone exempt from appeal.

The arbitrators must be principals engaged in the corn trade as merchants, millers, factors, or brokers, resident in the United Kingdom, and also members of the London Corn Exchange, Baltic or London Corn Trade Association.

Arbitration fees on E. Indian grain range from £1 1s. for each arbitrator on quantities not exceeding 200 tons up to £5 5s. for quantities over 3,000 tons, on questions of quality. On all other grain from £1 1s. on quantities not over 1,000 quarters, up to £5 5s. for quantities over 15,000 quarters. On technical questions fees are at the discretion of the arbitrators.

When an appeal is made the appellant is required to pay a fee of £15 15s. if a member of the Association, or £21 if not a member. The appeal court is formed of five members of the Appeal Committee, elected by ballot, and they must confirm the award, the fees following the award, unless four members decide otherwise.

When the introduction of an appeal was first suggested the proposal met with some opposition. It was said that the innovation would cause delay, increase expense, and render umpires less careful in troublesome cases by relieving them to some extent from responsibility. They would say, "this is a difficult case, my opinion is so and so; but it may be wrong—if you think so, appeal." But, I think, there is no doubt that, looking at the magnitude of the amounts frequently involved, and the complexity of many of the cases, it would be undesirable to make the umpire's decision irreversible, especially in view of the fact that he is often forced to reach his conclusion upon evidence much less complete than that which is obtainable in a court of law. The production of a multitude of witnesses and an elaborate sifting of evidence, is incompatible with the practical working of mercantile arbitrations.

The foregoing is, I think, a fairly complete, although not exhaustive, account of the origin and growth of a system which has been found conducive to the easier working of the import trade in grain. It has, I think, undoubtedly with advantage to the trade, relieved our Law Courts of many cases which otherwise would have come before them, and has dealt with a multitude of other disputes which would not have been submitted to those courts, either because their machinery is too costly or in other respects unsuitable for adjudicating upon such cases.

C. CHATTAWAY

CORRESPONDENCE OF RICARDO WITH MARIA EDGEWORTH.

SUBJOINED are passages of economic interest extracted from a correspondence between Ricardo and Maria Edgeworth, which is in the keeping of Mrs. F. Ricardo, of Bromesberrow Place,

Ledbury. The readers of the ECONOMIC JOURNAL owe a debt of gratitude to Mrs. Ricardo for having furnished a copy of these letters at the request of the Editor. It should be mentioned that he first learnt of their existence from Professor J. H. Hollander, of the Johns Hopkins University, Baltimore, to whom students of Ricardian literature had been already so deeply indebted. The full text of the letters, with an appreciation of their bearing on Ricardo's character and doctrines, will no doubt be published by Professor Hollander on some future occasion.

Miss Edgeworth to Ricardo.

Edgeworth's Town, July 9th, 1822.

. . . . Now that I am three hundred miles from you, I regret, however, that I did not make still better use of my time when I was with you—that I did not take more advantage of your kind readiness to explain and discuss, and of that candid, mild, truly philosophic temper in discussion of which, though I call it philosophic, there are so few living or dead examples even among philosophers. (Do you call this flattery? No, you feel it to be truth.) Among the numbers of questions I should wish to hear you discuss is one of *vital* consequence to this country—the question *for* and *against* the potato, which has for some hundred years past been alternately cried up as the blessing and cried down as the bane of Ireland.

In Berkley's *Querist* (which, by the by, contains in the pressing style of interrogation as much deep thought in the subtle form of doubts as Socrates himself could have proposed had he lived in Ireland) there is this query:—

“Whether it is possible Ireland should be well improved while our beef is exported and our labourers live upon potatoes.”

In the article on “Cottagers” in the *Encyclopædia Britannica* the same question is ably discussed. But I do not feel it is put at rest in my mind. At this moment, when half Ireland is famishing apparently from the failure of our potato crop, the arguments come home to the stomach, I grant, but when in another month new and good potatoes are in every creature's mouth, and the famishing bodies revive, the case would alter, and we should recollect the many years of plenty and independence, the thousands of hardy bodies and merry souls which have (in smoke perhaps—but no matter—if happy) blessed the potato.

As to the objection of the potatoes not being a storable food, M. L'Asteyrie shows how, by an easy process, it can be made

into storable flour. I enclose a sample which he gave us in 1803.

As to potatoes facilitating the cottagers' sub-division of property, that is a weighty objection.

As to its encouraging the Irish peasantry in sloth, this does not appear to me a valid objection. It is only arguing from the abuse, not the use. If he is at ease about his year's food, and has time to spare, use the time, but do not complain that it is not employed in another way of raising food.

As to all the Malthean objections to the potato, do not all these apply to machinery manufactures, to all that tends to save time, labour, and increase the wealth of a country?

In fact, you in England, who do not live upon potatoes, and who have gone through all the prosperity and adversity of manufactures, are you better off? are you happier? I don't ask whether you are richer than we are in Ireland. Take an average of years—don't fix your eye upon this dreadful time of famine.

I wish, my dear Sir, that after your return from your intended excursion to France you would come to poor little Ireland and see and judge of it for yourself.

* * *

Ricardo to Miss Edgeworth.

Bromesberrow Place, Ledbury, December 13th, 1822.

I do not know that I have given the question *for* and *against* the potato that degree of attentive consideration to entitle me to speak with confidence upon it. It is probable, I think, that as in most other contested opinions, the parties on both sides have been guilty of exaggeration. I confess I have always inclined to that view which regards it as an evil that the population of a country should be chiefly fed and supported on potatoes. But my objection rests almost wholly on the fact which we have so often witnessed of the crop being uncertain and liable to peculiar accidents. We cannot, I think, doubt that the situation of mankind would be much happier if we could depend with as much certainty on a given quantity of capital and labour producing a certain quantity of food, as we can depend upon the same quantity of capital and labour producing a certain quantity of manufactured goods. It is evident that in the latter case we can calculate upon results almost with absolute certainty; in the other case we must always be exposed to the uncertainty of the seasons, which will render the crop fluctuating. If it

be granted that certainty, with respect to the production of quantity of food, be desirable, it follows that of all the different qualities of food on which mankind can be sustained, provided it be not too difficult to obtain it, that quality is most desirable for their general consumption on the production of which we can rely with the most certainty. In comparing wheat and potatoes, I apprehend the former approaches much nearer to the desired end than the other, and for that reason I give it the decided preference. The argument that the failure of the potato crop is only occasional, and that at all other times there will be in the world a much greater number of happy and contented beings, appears to me defective. Judging by my own feelings, if, for five, six, or seven years of easy competency, with respect to food, I had to endure one year of famine, and to witness the sufferings of my family and friends, for that one dreadful year, I would rather that I had never been born; no happiness (and it is happiness of no extraordinary kind of which we are speaking) can compensate perpetual hunger, and all the evils in its train, for one year, much less can it compensate for the dreadful suffering of starvation, if that should be the consequence. Answer this objection, and I am for the potato. You say that the potato is a storable food, and you would, I conclude, infer from that fact that provision might be made in years of plenty for the occasional years of scarcity. There can be no doubt if it be a storable food, and if the preparation of it for store were not expensive, so that the price should not be greatly enhanced to the consumer in the years of deficient crop, great progress would be made in the defence of the potato, but we must be satisfied as to this fact; and then I should still require some proof that there were among you some of those patient, plodding, calculating merchants who would be contented to enter into a speculation on a prospect of its success in four, five, or ten years. Give me these securities, and I will fight with you till death in favour of the potato, for my motto, after Mr. Bentham, is: "The greatest happiness to the greatest number." As to the objection of potatoes facilitating the cottagers' sub-division of property, we might have said the same of wheat in former ages. While potatoes continued very cheap, it would have that tendency, but I do not know why potatoes might not become in time as dear as wheat, for let it be always remembered that it is not quantity that regulates price, but facility or difficulty of production. If the people of all countries lived on potatoes, I can conceive the world to be many times its present amount of population, potatoes

to be increased 50 or 100 times in quantity, and yet to be doubled, tripled, or quadrupled in value. Sloth and rags are no more the concomitants of potatoes than of wheat. With the one we might have an industrious, happy people, equally as with the other, only three times (perhaps) more numerous. Good government does not depend on the food of the people, and I have great doubts whether the population of Ireland would have been wiser or happier if they had never lived on any other food but wheat, provided the crop of wheat had been subject to the same vicissitudes from seasons that potatoes are liable to. It is quite certain it would never have been so numerous.

I agree with you as to many of the Malthean objections to the potatoes being unfounded; they might equally apply to machinery in manufactures--in fact, Malthus himself does so apply them.

I think we are not only richer, but happier, in England than in Ireland, and for the reasons I have before given we are never so near actual famine as you are; what can you put in the scale against this dreadful evil? I should be glad to accept your summons and go to Ireland to judge for myself. I thank you for the tempting offers you make me; so does Mrs. Ricardo, so does Mary, and so, also, does Bertha; but it is for the present out of the question; we shall, however, hope some day to pay you a visit at Edgeworth Town. We thank Mrs. Edgeworth and your brother for the encouragement they are pleased to give to it.

Miss Edgeworth to Ricardo.

Black Castle, Navan, December 28th, 1822.

To return to the potato cause, too nearly allied perhaps to the whiskey evil. You handsomely promise that you would join me in defence of this root of plenty if I could prove to you that it has the essential advantage which, other things equal, should, as you justly observe, decide the choice of a nation's food, viz., security—security that the supply will be constant—or, as I should add, that the deficiency, if it occur in the food chosen, can, with the greatest probability, be supplied from other sources.

I add this because it does not appear to me essential that the nation should confine itself to one species of food, though *that* may be its staple supply.

Then I come to your *required first quality of storability*. You see, I set formally to work at the argument as your own dear Bentham or Mill would do.

I did send you in my last letter, or will send you in my next, a sample of potato flour which was made by M. L'Asteyrie at Paris in the year 1803, which he gave to me, and which I have kept ever since. You will see that it is good, therefore you must admit that potato flour can be stored, and will be good at the end of twenty years.

Then comes to be considered next the practicability of storing potatoes in this country upon a large scale and the cost of so doing. And here for the present I must pause in this part of the argument. I must wait till I have further information. I have written to Paris to M. L'Asteyrie to ask whether his process for storing potato flour has been carried on to any extent, and at what expense. Then I will inquire *how* or *if* it could be carried on in this country.

In the meantime I have this morning put some questions on the comparative advantages of corn and potatoes, and I will give you the result in the answers of a clear-headed man who has had much experience in farming land and in living among the lower classes of the people here so as to know their habits.

Query: Do you think that there is more chance one year with another that a wheat crop should fail or a potato crop?

Answer: More chance of the wheat crop failing, and more chance that oats should fail than potatoes. I reckon potatoes the most secure and profitable crop.

Query: If you had to feed this neighbourhood for ten years to come, and all depended on you, would you depend on potatoes or corn?

Answer: Potatoes, certainly.

Query: Are potatoes, corn, and oats likely to fail the same season, or from the same causes, or in different seasons, and from different causes?

Answer: On different seasons and from different causes.

Query: Why?

Answer: Because it is the blast which injures the wheat, and that does not touch the potato. It is the frost which injures the potato, and that does not touch the wheat or oats. Damp which injures wheat, and does not injure potatoes is frequent in Ireland.

But suppose, my dear Sir, that potatoes failed altogether, the corn being safe, you would have a supply of food; since corn being a storable commodity, you might have as much stored as you please or as calculation of chances showed to be necessary, so that even if potatoes be not storable, we have all that is

required if we cultivate a certain proportion of both potatoes and corn.

Corn must be cultivated, otherwise there would not be straw to supply manure for the potatoes. It is therefore only necessary to settle the proportion between the two.

The distress which arose last year in Ireland, it has been asserted, arose from the *general* failure of the potato crop, but it could not have arisen from that cause, for this plain reason : the failure was not general. Potatoes were plentiful and good in many parts of this country, though bad in others. The distress, as far as I have been able to learn, arose partly from want of communication and information between the places where there was plenty, and places where there was scarcity, and partly from want of money. Where there was sufficient information there was plenty of food appeared, both potatoes and corn, but there was actual want of money to purchase this food, or there was a want of exchangeable value or commodities among the lower classes. All the money they had went for rent, and did not fully pay the rent. Remember, I am now merely stating facts.

Where the potatoes *did* fail, this, as I am informed, arose in great measure from the improvidence of the people who did not plant them in time.

I admit that these habits of improvidence are to be taken into account against the general security of the potato crop as national food. But though you may take it into account, you must only account it as an evil that should be remedied, not as a decisive argument against a positive good. You would surely, as a legislator, seek for the cure of a moral evil that admits of remedy instead of giving up in indolent despair a good which is only rendered insecure by the bad habits which you ought to reform.

From pretty extensive information which I have collected I learn that potatoes are not only the most profitable crop, but that the proportion of profit is considerable.

In this county of Meath several farmers have, after paying rent and all expenses of manure, labour, &c., one-fourth clear profit on their potatoes.

There is a difference of profit in favour of potatoes over wheat of £3 per acre at an average ; the wheat selling at 40s. a barrel (a *barrel* being in this part of Ireland 20 stone, 14 lbs. weight to the stone) ; potatoes selling on an average at 5s. a barrel or 3d. a stone.

This year the potato crop in *this* county being abundant,

potatoes are selling in the market at $1\frac{1}{2}d.$ a stone. Wheat at present selling from 18s. to 23s. per barrel.

Ricardo to Miss Edgeworth.

Wottenunderedge, January 11th, 1823.

On the subject of the potato we are so far agreed that we both think security for a due supply of the principal food of the people of the first importance; but you add that if the supply of the principal food is not constant, you would be satisfied with a fair probability of the deficiency being supplied from other sources. So would I, but here you raise another important question, namely, whether there is any fair probability of a substitute being provided in case of a failure of the potato crop, when potatoes are the chief food of a people? The impossibility of providing any substitute is the stronghold of those who are enemies to the potato. They say, and say justly, first, that it is not to be supposed that any much greater quantity of grain will be provided than what is necessary for the average demand, and that if the demand should increase, in the degree in which it would do, if the bulk of the people, living before on potatoes, required all at once a large portion of corn, there could be no supply adequate to it, and consequently the price would rise enormously. Secondly, supposing the first objection unfounded, and an adequate supply of corn procurable at its ordinary price, the people could not afford to buy it, and would be starving in the midst of plenty. As wages in a potato country would be regulated with reference to the average value of that root, the people would have no means, when the potato crop failed, of buying the dearer food. These objections appear to me conclusive against any dependence on substitutes, and therefore we are bound to consider what security we have for the regular supply of the potato itself, or of the storable flour of potatoes of former years of plenty, to come in aid of a deficient crop. Before I say anything on this question, I wish to observe that the chief objection which the adversaries to the potato make against it as the principal food of the people is equally applicable to grain, which they think should be the principal food.

When the crop of grain fails, they say the people can have recourse to cheaper substitutes, such as potatoes. They can never make dear food a substitute for a cheap one, but they may make cheap food a substitute for a dear one. This argument would be just if at all times a supply of the cheap food could be obtained,

but in a country where wheat constitutes the chief food of the people, no supply of potatoes ever is grown which can be adequate to feed the people if the crop of wheat fails. No more potatoes are grown than what are usually required in addition to the average crop of wheat. How, then, can potatoes be substituted for wheat? From whence are they to come? There is no limit to the rise in the price of potatoes which would take place under the circumstances supposed. In fact, we should not substitute a cheap for a dear food, for this food which was ordinarily cheap would become as dear as wheat.

If it be said that when potatoes constitute the chief food of a people, we might, by a failing crop, be deprived of three-quarters of our usual supply, and that when wheat constitutes such chief food, we are never deprived of more than one-fourth by a failing crop, I observe that this may be a good reason for preferring the wheat, because it is a more secure crop, and this brings us to the main question—the comparative security afforded by the two species of food.

We will first consider the quality of storability of the potato flour, for I like the formal method after the manner of Bentham and Mill, whose example you have so well followed.

1. That potato flour will keep for the requisite time appears to be proved by tolerably good evidence; for the present I will assume the proof to be satisfactory.

2. The next point is the cost of preparing and storing potato flour. If the cost be great, it will come under one of the two objections usually, and I think successfully, made against substitutes, namely, that we must never attempt, in the case of a bad crop, to substitute a dear for a cheap food. Potato flour might in such case be a good provision against a failing crop of wheat, but not against a failing crop of potatoes.

3. The next and most important point is the comparative hazard of a failure in the crops of wheat and potatoes. The answers to your questions given by the gentleman to whom you referred them, and in whose opinion you have confidence, are very satisfactory, and if confirmed by men of experience in the practical details would remove all my objections to the potato, provided that the two following questions should be answered as satisfactorily :—

Query. What is the proportional difference of an average and a deficient crop of potatoes? The same question as to wheat. I fear, from the effects which I have observed of a failing crop of potatoes in Ireland, and a failing crop of wheat in this country

that the answers would not be satisfactory for the potato. The gentleman to whom you referred your questions you say is a farmer, and I observe in his first answer he says: "I reckon potatoes the most secure and profitable crop." Now this answer is a little suspicious. What is "secure and *profitable*" in the estimation of a farmer is not so in the estimation of a legislator. A short crop with a high price, its never-failing attendant when general, is what a farmer wants—it is always most profitable to him, and most secure in his sense of the word; but the legislator would commit a great error if he were guided by the same rule. He is to secure an abundant supply of food for the people, and is to care nothing about profitable crops to the farmer.

It would never be necessary or profitable, I should suppose, to cultivate corn merely for the purpose of getting straw for manure. If straw be necessary, a large quantity will always be obtained from that portion of wheat, barley, and oats raised for the higher and middling classes of the people. We should have a large quantity of these, although the great bulk of the people should be always fed on potatoes.

What you state respecting the want of money to purchase food among the lower classes last year is precisely the evil which will accompany every failure of the potato crop in Ireland. No food is so generally cheap as potatoes—if they fail, what can they buy? Mr. Western and others asked in the last session of Parliament how the distressed state of agriculture could proceed from abundance when there was an actual famine in Ireland? Nothing can be more satisfactorily explained—wages regulated by potatoes will never be adequate to purchase wheat under any probable abundance of that grain.

Whether any part of the late failure of the potato crop proceeded from the improvidence of the people in not planting in time is of no importance to the present question, for the same improvidence might, and probably would, exist if they depended on wheat for their sustenance. You will give me credit for wishing to have all the moral evils of society cured that are curable. I know of none which I am more anxious to see removed than the improvidence of the lower classes. In your country this improvidence is the great bar to the happiness of the people. I know of no country in which it is not. To provide a remedy for it appears to exceed the talents and skill of the legislator, for under the head of improvidence I class the early and inconsiderate marriages of which Malthus has so well treated. When once the labouring classes know how to regulate

their own affairs, and understand and foresee the circumstances which are to procure them happiness, or plunge them in misery, we shall be very near achieving all the good within our reach. It cannot be doubted that good laws and good government will do a great deal for us—laws which shall afford prompt protection to person and property, which shall visit with immediate punishment the acts which they forbid, and which shall give the greatest encouragement to the acquiring of information amongst all classes of the people. But where am I running to? I am a great way from the potato question. I shall only revert to it to say once more that all my objections against the unbounded use of “this root of plenty” would vanish if we had an equal security against the failure of the crop that we have in regard to wheat.

Ricardo to Miss Edgeworth.

London, May 26th, 1823.

Your restless nation gives us a great deal of trouble in Parliament. The best amongst us do not know how to manage you, nor what course to take to give you the blessings of peace, order, and good government. You have been so long subjected to misrule as hardly to be in a fit state to be reclaimed by common means. Coercion and severity have proved of little use, and I hope the system of indulgence, kindness, and conciliation will now be tried. If that system will not succeed, I hope we shall get rid of you altogether; we could do very well without you—you are a great expense to us, and prevent us from making any great improvements in our own government, as all our time is taken up in attending to yours.

RECENT OFFICIAL PAPERS.

Colonial Conference, 1907. Minutes of the Proceedings. C^d. 3523.
(Wyman and Sons, 5s.)

A GREAT variety of subjects occupied the attention of the Premiers at the Colonial Conference this year. The constitution of the Conference itself, the proposal for a permanent Secretariat, Military and Naval Defence, Judicial Appeals, Preferential Trade, and Improvement of Communications were the most important topics. Here attention must be confined to the two latter, as being of especially economic character. Mr. Deakin and some

of the other Colonial members determined to press forward the question of Preference, in spite of the known views of the British Government and House of Commons. Mr. Deakin proved a very earnest and able advocate of his cause, and the debate, though necessarily leading to nothing, is interesting reading. The Australian policy, like that of Canada, is first of all Protection for Australian industries, and secondly Preference for the British Empire. Mr. Deakin explained that the comparative insignificance of the Australian Preference was due to the accidents of complicated party politics in Australia, and that the whole subject of the tariff was to come up for revision. [The results of this revision we now have in the new tariff.]

In his argument for Preference, Mr. Deakin quoted figures to show that foreign imports into Australia had increased considerably, and tended to form an increasing percentage of the whole of the imports, and many of these imports consisted of manufactured goods of a kind which Great Britain might expect to supply. Details of the values of each class of manufactured goods were not offered. Though the Australian market might not be so large as that of some foreign countries, the trade per head of population was very large, and the prospects of future growth much greater than in the case of more populous European countries. From the point of view of Great Britain, therefore, Australian Preference was a valuable thing. From the Australian point of view, the argument was that foreign countries sought to exclude Australian produce, other than raw materials such as wool, the German impediments to imports of food being particularly mentioned. Hence Australia felt that her external trade was chiefly dependent on the fortunes of the United Kingdom and its ability to purchase. In the interests both of the Colonies and of the United Kingdom, Mr. Deakin urged that joint action would add considerably to the ability of both to bargain for tariff concessions from foreign countries.

Sir Joseph Ward also quoted figures to show that, comparing 1899-1901 with 1904-1906, British exports to Australia and New Zealand had diminished, while those of foreign countries had increased, indicating the existence of serious competition, which Preference should mitigate. [It is noteworthy that the facts which have been brought forward in this country by Free Traders to refute the original line of argument of British Preferentialists, are made the basis of the argument in favour of Preference. It is not really the statistical facts, but the lessons to be drawn from them, about which people differ.]

New Zealand had recently given a preference of 10 to 20 per cent. on some articles, British goods, in some cases, being* admitted free, while similar foreign goods were subject to duty. In six classes of goods there had been an increase of British trade since the preference was given. Sir Joseph Ward was satisfied that the duties on foreign goods had not raised prices, owing to the competition of British firms, and he argued that prices of food in Britain would not be raised by preferential duties. In conclusion he said, "We believe it (Preference) is a good thing, and we are quite prepared to extend it."

Dr. Jameson, Sir William Lyne, Dr. Smarrt, and Mr. Moor also spoke in support of Mr. Deakin, and Sir James Mackay voiced the objections of the Indian Government.

On behalf of the British Government, both Mr. Asquith and Mr. Lloyd-George laid stress on the fact that British trade, under the existing system, was very far from showing any tendency to decline, as some of the speakers, notably Sir William Lyne, had suggested. They pointed out that the British Government, in view of its election pledges, could not impose any taxes for the sake of Preference, and they declined to countenance the principle by giving a small preference on the basis of the existing fiscal system, because such a concession would be of no value excepting as rousing expectations of something more in future, a hope which they could not hold out. Great Britain would need to alter its policy if anything appreciable were to be done, to impose taxes not yet in existence, and thus to raise the prices of food and raw materials. "When you impose an import duty," said Mr. Asquith, "upon a commodity which is a necessary of life or of industry, one or other, and when the commodity is of such a kind that you cannot substantially make up the supply that you want from domestic sources—given those two conditions, and I carefully limit my proposition in that way—sooner or later, though the process may be delayed or defeated for some time, that duty appears in added cost to the consumer."

Mr. Lloyd-George emphasised the hardship which increased prices would mean to the poorest classes, and said that what was really feared was not so much a small initial tax of 2s. on wheat, as the prospect of its growing to 7s. or 10s., and he quoted the experience of Germany and France.

Subsequent Colonial speakers argued in this connection that Mr. Asquith's second condition did not apply to a British preferential duty, seeing that supplies could be increased from untaxed Colonial sources; and there could not be the same

dominance of agricultural interests in the United Kingdom as in Germany and France.

Mr. Lloyd-George replied that the development of Colonial resources must be slow, and when he asked for an estimate of the length of time that must elapse before Canada could supply enough wheat to render the United Kingdom independent of foreign sources, Sir Wilfrid Laurier declined to give any estimate.

Mr. Lloyd-George, in the latter portion of his speech, turned to other proposals for improving trade within the Empire, proposals previously mentioned by Sir Joseph Ward, viz.: the appointment of commercial agents in the Colonies, the "all red" route, and the cheapening of cable communications. He hoped that something practical might be done on these lines to prove that the British Government was not indifferent to the improvement of inter-Imperial commerce.

Mr. Winston Churchill spoke at less length and urged objections to Preference on political grounds, and was replied to vigorously by Mr. Deakin. Mr. Deakin's resolution was carried by a majority, Sir W. Laurier and General Botha declining to do more than reaffirm the resolutions of 1902.

C. F. BICKERDIKE

Final Report of the Miners' Eight-Hour Day Committee
(C^d. 3505).

THIS report, which was presented in June, 1907, and the volumes of evidence previously issued, contain much valuable material to the student who desires to test the application of economic theory to one of the most important of our foundational industries. The Committee, while lacking practical knowledge of coal-mining, have proved their high competence to deal with "the probable economic effects of an eight-hour day" by their impartial treatment of the evidence submitted to them. They inquired into the economic effects upon production, wages, employment, the export trade, other British industries, and upon the health of miners. Here we summarise their most important conclusions and recommendations, and comment upon certain of them in passing.

The Committee found that the average time from bank to bank of the underground worker in the coal-mines of Great Britain on a day of full work is 9 hours, 3 minutes, i.e., for hewers 8 hours 36 minutes, and for other underground workers 9 hours 28 minutes.

A general eight-hour day would reduce this time by 10·27 per cent., assuming the customary short and idle days to remain as at present. "We believe a certain portion of the time now lost would be utilised under a legally restricted day."

The following causes, they anticipate, will further mitigate the effects of a reduction of the hours of the full working day :—

(a) "Some improvement in the efficiency of labour, especially in certain districts."

(b) "Improvements in the mechanical equipment of collieries."

(c) "An extension of the use of labour-saving machinery (coal-cutting machines and conveyors)."

(d) "An extension of the multiple shift system."

(e) "Some increase in the existing flow of outside labour to the collieries."

Moreover, the Committee should also have allowed for an appreciable saving of the time now occupied by the men in walking to and from their workplaces underground by the general adoption of horse or mechanical conveyance of the men where the workplaces are some distance from the pit-bottom, or where the seams are highly inclined and walking is difficult. The practice already obtains in some collieries. By its adoption between 10 and 20 minutes per shift could be thus added to the working time in many large collieries in all our coalfields.

But some diminution of production is anticipated whether the eight-hour day be introduced gradually or suddenly, and such reduction will be greatest in Lancashire and South Wales, where the hours are now longest.

No marked change is expected in the health of miners, although it was found that the standard of health is lowest where the longest hours are worked.

The Committee cautiously state "that the permanent result of a legally restricted day for workers in coal-mines, upon wages and employment, is impossible to foresee, and would be imprudent to forecast." They are more explicit with regard to the export trade, and think that "the majority of the foreign buyers would necessarily continue to be effective competitors for a reduced supply of British coal, even at a greatly advanced price, but that, for a certain and a considerable portion of our export trade, . . . foreign coal is in acute competition with British coal—that in these markets the effect of any special handicap to the British export, such as the late coal tax, is immediately effective in reducing British exports."

Finally, the Committee recommended "that it may be considered advisable in this country, as it has been considered advisable in all other countries which have enacted such laws, to reserve in the hands of the Department of Government controlling mines, certain powers of suspension and of exception in the public interest."

Several of the above conclusions are necessarily non-committal, as the economic effects of a uniform working day of eight hours for all our coalfields with their differences of market and situation, of quality of coal, and of cost of production at the mouth of the mine, are very indeterminate.

Besides, the Committee were seriously handicapped in their inquiry by the one-sided character of the evidence submitted. Of the 74 witnesses examined, more than 50 were officially connected with the interests of colliery proprietors. Eight witnesses gave evidence on behalf of the coal-miners of Northumberland and Durham, and the Forest of Dean, the ironstone-miners of Cleveland, and the Scottish shale-miners. Some of these witnesses claimed special treatment in view of the alleged special circumstances of their districts. Yet all eight approved of the principle of a restriction of hours.

But the 600,000 odd members of the Federated Miners of Great Britain had decided in conference not to give any evidence before the Committee on the grounds that the day of economic discussion had passed, and the time of political fulfilment had arrived. Here we are not concerned with the politics of the matter. Still, the boycott has materially impaired the value of the report as an economic document; for the majority of the witnesses were obviously biased against an eight-hour day. Practical knowledge of coal-mining could alone correct some important inaccuracies in the evidence of several prominent witnesses. In the absence of the counter-evidence of the supporters of the measure, the Committee could not possibly appreciate the full force of the case of the miners for an eight-hour day.

Even so the Report offers no serious objection to the miners' demand. The Committee significantly observed that many of the witnesses examined tacitly recognised the possibility of adopting various devices for increased economy and efficiency once the initiative and enterprise of colliery management are aroused by a legal restriction of the working day. These witnesses felt that when thus pushed to do so they could still manage to about maintain the normal output of coal.

The Government issued a draft of their Coal Mines Eight

Hours Bill in August, and it is based largely on the Report of the Departmental Committee. It proposes to restrict the working shift underground to 9 hours for the twelve months ending June 30th, 1909, and thereafter to 8 hours, bank to bank, counted from the first man to descend to the first man to ascend, and from the last man down to the last man up. Thus an average of eight hours per shift is fixed on the middle man to descend and to ascend. A register of the time spent to lower and to raise the men is to be kept. Power is given to the management to extend the hours of work by one hour on sixty (60) days in the year subject to certain emergencies in the working of the mine. Power is also reserved, on issue of an Order in Council, to suspend the Act, "either as respects all coal-mines, or any class of mines" in the event of a grave shortage of supply of coal, or of the imminence or actuality of war or some other national danger. Clause 7 exempts "officials of the mine, or a furnaceman, onsetter, horsekeeper, or pumpman, from the eight-hour limitation."

The Government intend to introduce the Bill next year. In the meantime the coal-owners and coal-miners propose, very wisely, to meet for the discussion, and possible settlement, of points of disagreement in the details of the Bill. Compromise will probably prevail, and as a result the Government Bill will be modified in certain details to further facilitate the ultimate working of the measure.

But there is one serious defect in Clause 7 which must be remedied, otherwise the miners of the country will probably reject the Bill in its entirety. We refer to the exemption, under the term "officials," of the firemen or deputies from the Act. It is upon the proper inspection and supervision of the ventilation and general conditions of the underground working by these officials that much of the safety of the mine depends. In fact, the first man down and the last man up in every coal-mine in the country should be a fireman. But in general this is now secured by two shifts of ten or twelve hours each, with the inevitable consequence that these firemen are much overworked. The responsibility of duty is great, and the strain of the work excessive, and the inspection of the workings is inadequately done. Given three shifts of eight hours each, the efficiency of the individual fireman would be greatly increased. He would be more alert to detect escapes of gas, to observe the dangerous condition of the roof and of the coal, and to curb any negligence of duty on the part of the underground workers. The cost of

this extra shift of firemen would be more than covered by the reduction in the number and gravity of the accidents which would result, and the consequent saving in payments of compensation for accidents. In the Lewis Merthyr Collieries, one of the largest in South Wales, this three-shift system for firemen has been in force for some years. There have been only one or two fatal, and very few serious, accidents at these collieries during the last three years—a striking contrast to the casualty list of similar neighbouring mines. This remarkable result is attributed solely to the greater efficiency of the firemen with an eight-hour working shift. But a statutory reduction of hours appears to be the only force which can induce the average coal-owner to adopt this urgent improvement. At any rate, we feel sure that the Government Bill must be modified in this particular, as the miners are strongly, and rightly, convinced of the vital need for three shifts of eight hours each for firemen.

Time alone can reveal whether, with an eight-hour day, the consumer will suffer a slight increase in the price of coal temporary or permanent. Beyond the economic effects lie the moral considerations of the social betterment of those who undergo the perils of the mine.

T. I. JONES

Reports by His Majesty's Agent and Consul-General on the Finances, Administration, and Condition of Egypt and the Soudan in 1906. [C^d. 3394.]

LORD CROMER's last report.

Sixty-eighth Annual Report of the Registrar-General . . . in England and Wales. 1905. [C^d. 3279.]

THE birth-rate, 27·2 per 1,000 living, is the lowest on record. The proportion of births per 1,000 wives aged 15–45 years also shows decline during the last twenty years for England and Wales and most civilised countries. Ireland is the principal exception.

Report of the Departmental Committee of Inquiry on the Department of Agriculture and Technical Instruction (Ireland).
[C^d. 3572,3575.]

THE majority of Committee recommend that the office of Vice-President should be independent of party politics, tenable for five years, with power of reappointment. They find that the methods of education pursued have been suited to Ireland.

Bulletin of the Bureau of Labour. May, 1907.

A MINUTE study of a typical Italian settlement on the land, by Emily Fogg Meade, answers affirmatively the pressing question, "Can the Italian immigrant become a good American?" A short history of labour legislation in Great Britain is contributed by A. Maurice Low.

Notes sur la journée de huit heures dans les établissements industriels de l'état. Paris: Imprimerie Nationale, 1906.

THE experiment of an eight-hour day in French State workshops since 1901 is not conclusive. Production in several cases—after a short outburst of zeal—decreased by at least ten per cent.; but this may have been due to the simultaneous abolition of piece-work.

CITY NOTES.

WE have received the following notes from "R. G." :—

The Money Crisis and Liquidation.—It is not incorrect now to speak of the long continued dearness of money and fall in Stock Exchange securities as having culminated in a monetary and banking crisis of considerable severity. An advance of the Bank rate in the autumn, the usual season of slackness, is most significant, and not only was there an advance on August 15th—from 4 to 4½ per cent.—but for a week afterwards a renewed advance was commonly anticipated, and such an advance may not be long deferred. When there is an all-round scarcity of money the late autumn is very apt to be a critical period, and the next few weeks are usually the most dangerous of the year. In those weeks the Bank note circulation everywhere tends to increase, owing to harvest and holiday requirements, and this is particularly the case in both Germany and the United States, where the ebb and flow of the Bank note circulation is on a large scale. The storm may be mitigated by the preparations now being made on all sides, and by the fact of a process of liquidation having gone on so long, but considerable trouble at the great monetary centres is much to be feared, notwithstanding all the preparations made.

The Fall in Consols.—One of the most striking features of the crisis has been the renewed fall in Consols, and of gilt-edged securities generally at the beginning of August, when the price of 80 to 81 for Consols was touched. Experience leads people to expect that after each step in the downward course of Consols a recovery is to take place, but if there is recovery it has been only

momentary, till it is found, on making a year's comparison, that Consols at 81 are actually 7 points lower than they were a year ago, when everybody thought, the Chancellor of the Exchequer included, that bottom had been touched! There has consequently been a renewed discussion of the puzzling problem as to why Consols keep falling, notwithstanding the Chancellor of the Exchequer's arrangements for repaying the debt. At last it is beginning to be generally perceived that the true answer is the one frequently suggested in these notes. The price of Consols depends very little on the repayment of the National Debt, though it does so to some extent. It is really fixed mainly by the value of money generally, and by the total quantity of gilt-edged securities on the market in proportion to the demand for such securities. When money is very dear, therefore, permanently, as it now is, the discount rate on bills for long periods being as high as $5\frac{1}{2}$ to 6 per cent., there is not money available for investment in Consols and other gilt-edged securities, which have also on balance increased largely in quantity during the last two or three years, although Consols in particular have diminished a little. Before there can be much recovery, there is required a general improvement of credit, such as can only follow the completion of the present crisis itself.

Loans and Investments.—The intimacy of the connection between the rates for money on loan and the price of securities is well illustrated by the present condition of the money and stock markets. A great deal, though not the whole, of the money available for investment from time to time in securities is equally available for the loan and discount market, and it is largely a question of price in what direction such money will be placed: When money is much wanted for trade purposes, bankers will "go into" four and six months trade bills because of the high rate obtainable; less money will thus be available for financing Stock Exchange securities except at correspondingly high rates; and the investor who has an accumulating fund of deposits with the banker will be equally tempted to postpone investment. In time the conditions will work themselves out. The dearth of money will lessen the demand for loans, and investors will purchase securities rather than submit to the low terms then obtainable for the loan of money. But time is necessary for such a revolution, and for the present everything points to the expediency of prudence and caution among those who have dealings on the money market and the Stock Exchange.

CURRENT TOPICS.

WE learn from our French Correspondent, Professor Gide, that since he wrote the paper on the Wine Crisis in South France, which we have published on an earlier page, calm has been restored in the South of France. The municipal councils which had sent in their resignation have resumed their functions. The troops have returned to their garrisons. The leader of the vine-growers' meetings, Marcellus Albert, has gone home. But as a very good crop is announced the crisis may be expected to continue. However, a rise of price is reported, due perhaps to psychological, rather than economic, causes.

THE proposal that Great Britain should be relieved of the obligation of penalising bounty-fed sugars under the terms of the Brussels Convention has been agreed to by the other contracting States, who will, however, have the right to demand that sugar brought to Great Britain and re-exported to their territories shall be accompanied by a certificate stating that no portion of it has come from a country which gives bounties on the production or exportation of sugar. Accordingly, an additional Act has been signed extending the operation of the Convention for a fresh period of *five* years, to date from September 1st, 1908. Great Britain has thus gained an important point. Her markets will be again thrown open to sugar from all countries; at the same time, by retaining her membership of the Union, she does not imperil the advantages derived from the limitation of the continental surtax on imported sugars, which has proved to be a satisfactory check to Kartell movements.

THE Royal Commission on Shipping Rings has decided to send a Sub-Commission to take evidence in the South African colonies. It will consist of Sir Alfred Bateman, Mr. Henry Birchenough, and Sir John Macdonald. Mr. J. A. Webster, Secretary to the Commission, will attend the Sub-Commission as Secretary.

THE latest league formed to deal with fiscal issues is the Income Tax Reduction League. Its objects are "to unite the forces of income tax payers of all parties and of either sex in one strong association." In a letter to *The Times* of July 11th, the committee of the League argues that the income tax is essentially an

emergency tax, and that the prolonged maintenance of the tax at a war rate is "unsafe from a national point of view, unwise from a revenue point of view, and injurious to our trade and industries." Lord Avebury is the President, and on the Committee are Professor Foxwell, Mr. Bonar Law, and Sir Felix Schuster. The offices of the League are at 2 Cloisters, Temple.

IN a letter to *The Times* of June 17th the secretary of the Land Nationalisation Society protests against the suggestion that the society proposes confiscation. He claims that "fair compensation to landlords has been an essential part of its programme from the very first," and proposes to estimate the fair price for the land "by definitely basing it upon the value at which land is assessed for purposes of rating or taxation." He also mentions the fact that seventy-six members of Parliament are Vice-Presidents of the Society.

THE "Children's Farm Home Association" has been formed to carry on the experiments in the emigration of pauper children initiated by Mrs. Close. The object of the scheme is to maintain some of these children on small farms in the colonies, and there to provide them with practical training and an open-air life. A year and a half ago Mrs. Close bought a farm in New Brunswick, capable of accommodating twenty children, to which a number were sent out. She claims that the results have shown that the expenses are less than most of the methods in use in this country, and that the children have a better chance in life. The Association will start a number of other home farms in Nova Scotia and New Brunswick. It is, at present, prepared to receive children at a payment of £23 a year, and it is hoped to reduce this sum later.

THE seventh congress of the International Co-operative Alliance is to meet from September 22nd to 25th next at Cremona. The Governments of Great Britain, France, Belgium, Russia, Hungary, and several others will be officially represented. The well-known Italian statesman, L. Luzzatti, will preside. The first subject to be discussed is "The National Organisation of Agriculture on a Co-operative Basis," to be introduced by the Danish Minister of State, M. Högsbro, and M. Raineri, president of the Union of Italian Agricultural Co-operative Societies. Mr. W. Maxwell, president of the great Scottish Co-operative Wholesale Society, will next introduce the subject of "Wholesale

Co-operation," the consideration of which will be assisted by a very useful conspectus showing the development of wholesale co-operation in the various countries of the world, prepared by the Executive Committee of the Alliance. The third subject, "The Services which Co-operation may Render to the Working Population in their Daily Life," is to be introduced by the Belgian deputy, M. Bertrand, and the Italian, M. Garibotti, with a supplemental paper on the work of the Italian *Società dei braccianti*, by M. Vergnanini. Mme. Treub-Cornaz will introduce the fourth and final subject, the work of women in co-operative organisation, showing what admirable service the Co-operative Women's Guild, now numbering 24,000 members, has done in the diffusion of education and as a help to the very poor. The utility of co-operative banking will be demonstrated by visits to the co-operative banks of Cremona, the *Banca Popolare* of Milan, which numbers more than 22,000 members, and turns over more than £16,000,000 a year, and to the People's Banks at Lodi, Cremona, and Soresina. The proceedings will be enlivened by various entertainments and excursions. Further information may be obtained from the office of the International Co-operative Alliance at 6, Bloomsbury Square, London.

A NATIONAL CONFERENCE on the Unemployment of Women Dependent on their own Earnings will be held in the Council Chamber of the Guildhall, London, E.C., on Tuesday, October 15th, 1907. The Lord Mayor will open the proceedings at 10 a.m. The morning session, 10 a.m. to 1 p.m., will be devoted to Different Aspects of the Existing Problem of Unemployment of Women and Girls. Mrs. George Cadbury will be in the chair. Among the speakers will be Miss Clementina Black, Mr. Will Crooks, M.P., and Miss Margaret Smith. The afternoon session, 2 p.m. to 5 p.m., will be devoted to Proposals with Regard to Remedies. Mrs. Creighton will be in the chair. Among the papers to be read are: "Labour Exchanges and Trade Unions," by Miss MacArthur (Women's Trade Union League); "Lodgings for Women in Search of Work," by Mrs. Higgs (Oldham); "The Possibilities of better Trade Training," by Mrs. Oakeshott (Inspector L.C.C. Trade Classes for Women); "Prohibition of Overtime," by Mrs. J. R. MacDonald.

THE *Bulletin of the International Labour Office*, published by the Labour Representation Printing and Publishing Co., is a translation of the German and French editions. As the annual

Bulletin has been issued for several years in French and German the first volume of the English edition corresponds to the fifth of the foreign editions; much as James the First of England was the James the Sixth of Scotland. For the benefit of English readers, there are reproduced from earlier volumes two or three passages particularly germane to international labour, such as the Labour Treaty between France and Italy, 1904, which *inter alia* extends the sphere of thrift and insurance by allowing transfer of payments made from one country to another. Agreements relating to workmen's insurance and labour legislation in general are cited from treaties between other countries. A great part of the *Bulletin* consists of labour legislation in different countries, classified by subjects: 1. *Protection of Children and Apprentices*; 2. *Employment Agencies*, and so on; followed by the textual laws and orders classified by countries. The publication is no doubt a remarkable testimony to the spread of legislation directed to the benefit of the working classes. The principal exception to the general movements is formed by the Russian Imperial Ukase of December, 1905, directed against strikes. A section on Parliamentary Action (not yet embodied in Acts) shows the trend of opinion. The bibliography is exhaustive.

THE following are the most recent statistics relating to the subject of employment exchanges which was brought before our readers by Mr. Beveridge in the March number of the ECONOMIC JOURNAL. The number of registrations, apart from renewals, between August 20th, 1906, and the end of July, 1907 (11½ months) has been 88,024. The number of situations filled during the same period has been 13,868 (10,656 males and 3,212 females). The number of registrations, apart from renewals, during the first seven months of the present year—during which alone the whole twenty-five exchanges have been opened—has been 53,953. The number of situations filled during the same time has been 10,242 (7,717 males and 2,525 females). A pamphlet on Employment Exchanges, issued by Mr. W. H. Beveridge (Chairman of the Employment Exchanges Committee of the Central [Unemployed] Body), gives an interesting report of progress, together with a summary statement of the reasons for expecting success.

MR. H. B. LEES SMITH has been appointed to the newly-created chair of Public Administration and Economics at University College, Bristol. He will retain his lectureship at the London

School of Economics. He has resigned his position as Vice-Principal of Ruskin College, Oxford, and has been elected Director of Studies, and Chairman of the Executive Committee.

THE London School of Economics is the latest institution to share in the grants to universities and university colleges. The report of the Advisory Committee of the Treasury states that "the London School of Economics has attained the prescribed minimum conditions in respect of local income and income from fees, and we are satisfied that the standard of work is such as to qualify it for recognition. The School differs, however, from other recognised colleges in that it deals only with a limited and specialised section of higher education." The amount recommended is £500 a year.

THE unique experiment conducted at the London School of Economics in the training of officers for the higher appointments on the administrative staff of the Army and for the charge of departmental services is described in the report of the Advisory Board issued on August 23rd as a Parliamentary paper (Cd. 3696). The first course, lasting for six months, was completed in July. The chief subjects taught were accountancy, law, transport, geography, economics, and statistical method. Thirty-one officers attended the course, devoting to it the whole of their time. They were present at 210 periods of instruction, each period consisting of a lecture and a class for discussion. Each wrote, on the average, two essays or exercises weekly, and in addition prepared a geographical report during the Easter vacation. At the end of the course an examination was held. The Board express their belief that the results which have been achieved by the class fully warrant the continuance of the experiment.

THE doings of the London School are chronicled in the *Clare Market Review*, which is published by the students of the school. The annual dinner of the Students' Union is the occasion of interesting speeches by political economists or economic politicians—Mr. Balfour, Mr. Haldane, Mr. Sidney Webb. There is also the address which, on another evening, is delivered by the President of the Students' Union. The *Economic and Political Chronicle* is a compilation of current topics which editors of other economic periodicals may find useful. An equally

comprehensive survey of current economic literature is presented in the reviews. It is not easy to find room for improvement in the *Clare Market Review*, and all may not concur in our wish that the chronicle and reviews were as legible as they are readable, that the character of *multum in parvo*, which distinguishes the style, had not been made so literally true by the use of type which requires the "microscopic eye" denied to man. Why should not all the reviews be printed in the same type as the excellent appreciation in vol. ii. of recent literature by the editor, Miss Steele Hutton? The *Clare Market Review* may be obtained from the School of Economics, or from Messrs. A. and F. Denny, 147, Strand. The price is 6d.

THE opening of the Academic year, 1907-8, will be signalled by a new departure in the arrangements of the Royal Economic Society. It has been suggested that in addition to the Congress, the first meeting of which was held to consider the taxation of site values and the future of Small Holdings last January, it would be advisable to institute quarterly or rather terminal meetings of the Fellows of the Society of a somewhat less formal character. The first of these meetings will be held at the rooms of the Royal Statistical Society, the elder sister of the Royal Economic, in November. The proceedings will include the reading of a paper and subsequent discussion. The better to promote the corporate life of the Society an opportunity will be given to members of meeting each other at dinner in a neighbouring restaurant. The dinner will be economical in more senses than one. It is not possible to give the full programme of subjects and readers of papers in this number of the JOURNAL. Mr. A. C. Pigou will be the reader of the first paper on Tuesday, November 12th, at 5 p.m. The second paper will be read by Mr. W. M. Acworth in February. Further details of the meetings will be circulated to Fellows shortly.

THE Delegates of the Common University Fund at Oxford will proceed early in Michaelmas Term next to the election of a Lecturer on Economic History. 1. The Lecturer will be appointed for a period of three years, and will not necessarily be re-elected. 2. His salary will be £250 a year. 3. He will be required to lecture in the Michaelmas and Hilary Terms at least twice a week for not less than seven weeks in each Term, and to give informal

instruction during two Terms for at least two hours in each week, at times to be announced. 4. It will further be his duty, in arranging the subjects and times of his lectures, to have regard to the arrangements made, or proposed to be made, by the Regius Professor of Modern History, and the Drummond Professor of Political Economy. Candidates should send in, with their names, to the Registrar of the University, on or before October 1st, *six* copies of a statement of their qualifications, together with such other evidence as they may choose to submit.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

JULY, 1907. *The Inhabited House Duty.* J. BONAR. An improvement in the graduation of the scale is proposed. *Free Trade in India.* F. BEAUCLERK. *Unemployment.* G. LANSBURY. *The Land and the Bill.* T. P. LEWIS.

Journal of the Royal Statistical Society.

JUNE, 1907. *The Alleged Increase of Insanity.* NOEL HUMPHREYS. The allegation rests on appearances. *The Herring Fishery.* A. E. LARK. *The Decline in Number of Agricultural Labourers in Great Britain.* LORD EVERSLEY. The reduction is not so large as supposed; and occurred largely in a time of prosperity between 1861 and 1881.

In the *Charity Organisation Review* for MAY, 1907, the "Case against Old-Age Pensions" is re-stated by W. A. B.; referring to the book which bears the same title (published by Messrs. Macmillan, 1903).

The Contemporary Review.

JUNE, 1907. *The Investments of the Masses.* L. G. CHIOZZA MONEY, M.P. The contention of Mr. Jesse Quail (in the April number of the *Review*) that the wage-earning classes hold a considerable proportion of the national capital is traversed. The fact is: "About 95 per cent. of the entire wealth of the United Kingdom is owned by about one-ninth of its population." JULY. *Australia's Plea for Preference.* H. MORGAN-BROWNE. An unfavourable criticism of Mr. Deakin's speech at the Colonial Conference, April 30th and May 1st. AUGUST. *Poor Relief in the Balkans.* EDITH SELLERS. *The Wealth of the Workers.* JESSE QUAIL. A reply to Mr. Chiozza Money.

Fortnightly Review.

JULY. *Dr. Beattie Crozier as an Economist.* W. H. MALLOCK. Dr. Crozier's claim "to have substituted a Copernican system for a Ptolemaic" seems to Mr. Mallock to "partake of exaggeration"; still his work is that of a brilliant thinker.

The Monthly Review.

JUNE, 1907. *Latest Lights on Small Holdings.* F. A. CHANNING.

The Albany Review.

JUNE, 1907. *What does Lord Avebury Want?* E. CANNAN. Referring to the work lately reviewed by Mr. Cannan in the ECONOMIC JOURNAL.

JULY. *Small Holdings.* THE EDITOR and W. SUNDERLAND.

The National Review.

JUNE, 1907. *Trade and Tariffs.* CHARLES BOOTH. Undeterred by Free Trade arguments, the writer proposes a minimum scale of duties up to 5 per cent. *ad valorem*, a maximum up to 12½ per cent., on raw materials, more or less finished articles, and food; "to protect home labour to a reasonable degree," and attain the other objects of Tariff Reform.

JULY. *The Government Land Policy.* RIGHT HON. JESSE COLLINGS. "Plain, honest purchase" is preferred to the Government's complicated and costly plan. *A Plea for Imperial Preference.* HON. ALFRED DEAKIN. Part of a speech made at the Imperial Conference. Not alms, but mutual advantage, "a trade in preferences," is desired. "The special circumstances of this country seem to us to offer a margin in which both [foodstuffs and raw materials] could be dealt with, and effectually dealt with, to our great gain, yet without altering the place which the United Kingdom occupies to-day, as probably the best market for them in the world." Britain would be free to levy duties with the object of reviving the expanding industries of her own. The interchange of benefits would draw the parts of the Empire together.

The Quarterly Review.

JULY. *The English Manor.* MISS TOULMIN SMITH. A study based on recent standard works from Seeböhm, of 1883, to Vinogradoff, of 1905.

The Edinburgh Review.

JULY, 1907. *Local Taxation.* It is forcibly argued that the public value of land is an exceptionally good object for taxation, if the imposts laid upon it are moderate in amount. The annual value is a better object than the capital value.

The Colonial Conference. An indictment of Preference.

The Quarterly Journal of Economics (Boston).

MAY, 1907. *Concerning the Nature of Capital: a Reply.* J. B. CLARK. *The Street Railway Question in Chicago.* J. A. FAIRLIE. *The Readjustment of San Domingo Finances.* J. H. HOLLANDER. *The Concept of an Economic Quantity.* T. N. CARVER. The distinctions between land and capital, between money and commodities, are brought out by a clear analysis

of quantitative concepts. *Bank Reserves in the United States, Canada and England.* F. S. MEAD. *English Finances under the Long Parliament.* W. O. SCROGGS.

Political Science Quarterly (New York).

JUNE, 1907. *Iron and Steel Bounties in Canada.* E. PORRITT. *Influences affecting Thrift.* A. S. JOHNSON. *Recent Reports on Taxation.* E. R. SELIGMAN. In continuation of a paper published in 1903 (*Pol. Sci. Q.*, XIX., p. 710) the light of general principles is brought to bear on several recent reports, the Report of the Ontario Commission on Railway Taxation (lately referred to in the *ECONOMIC JOURNAL*), the Oregon Report proposing to substitute State taxes on corporations for the personal property tax, the Report of the California Commission, to which Professor Plehn was secretary, and many others.

The Journal of Political Economy (Chicago).

JUNE, 1907. *Reciprocity with Germany.* H. PARKER WILLIS. *The Trade-Union Point of View.* R. F. HOXIE.

MAY. *The Commercial Policy of Germany.* WALTER LOTZ. A history beginning with the institution of the Zollverein, in 1834, presents many points of interest; Protection based on the "infant industries" argument in the forties, relaxed in the sixties, renewed, through the influence of Bismarck, with advantage to "cartells," loss to other industries. Want of solidarity between workmen and capitalists has disposed the latter to alliance with the landowners, though Protectionists. The Protectionist landlords sometimes call in Polish workmen.

The Yale Review.

MAY, 1907. *The Agrarian Movement in Russia.* V. G. SIMKHOVITCH. *Our Currency Reform Problem.* F. R. FAIRCHILD. *Rate-making as Affected by Competition versus Combination of Railroads.* H. G. BROWN.

The American Academy of Political Science.

MARCH, 1907. This number is devoted to railway and traffic problems. Mr. A. J. County contributes an account of the Pennsylvania Railroad extension into New York City, and discusses the economic reasons which justify the large expenditure of \$90,000,000 on the extension. Prof. Emory Johnson contrasts the municipal ownership with public regulation of street railway transportation. Both systems have succeeded in diverse parts of the world, but the policy for the United States should be "one of public regulation rather than one of public ownership and operation." Dr. H. S. Smalley makes a serious indictment against the Amended Interstate Commerce Act. But, weak as the Act may be, it has already justified its existence, as the railroads have voluntarily reduced many rates, rather than submit to the inquiry the Commission have power to make. Mr. E. S. Bradford describes the administration of Prussian railways; and Mr. G. G. Hueber, their system of

rate-making. Though not suited to the conditions prevailing in some parts of the world, there can be little doubt that under Prussian conditions the government rate-making has been industrially and financially successful.

MAY, 1907. This number is devoted to Tariffs, Reciprocity, and Foreign Trade.

JULY, 1907. This number is devoted to American Colonial Policy. Part I. contains an article on the difficulties encountered by Great Britain Colonial Government by the Right. Hon. J. Bryce. The railways, banks, churches, and other institutions in the Philippine Islands are discussed by different writers. A paper on the financial difficulties of San Domingo is contributed by Professor J. H. Hollander (Confidential Agent to the United States).

Journal des Économistes (Paris).

MAY, 1907. *La Banqueroute du Socialisme de la Chaire.* YVES GUYOT. *Le service public des transports en commun.* A. MOSSÉ.

JUNE, 1907. *Théorie de l'évolution.* G. DE MOLINARI. *L'indépendance fiscale des pouvoirs locaux et la liberté individuelle.* L. DE GOY. *La municipalisation du service des pompes funèbres.* E. LETOURNEUR.

JULY, 1907. *L'automobile est-elle une richesse?* G. DE MOLINARI. *Rodbertus contre Bastiat.* YVES GUYOT.

Revue d'Économie Politique (Paris).

JUNE, 1907. *Un conflit dans le monde du travail à Amsterdam.* F. D. CURTIUS. *Origine et caractères du Socialisme d'Etat.* CHARLES RIST. *La question ouvrière dans l'exploitation agricole.* J. MAILATH.

JULY, 1907. *La crise du vin dans le midi de la France.* CH. GIDE. *Laisser-faire and self-interest have failed to avert ruin; the action of the State has been as incoherent as that of individuals. Le rachat de l'ouest devant le Sénat.* I. J. PERRIN JAQUET. Proposals for the purchase of French railways are considered with reference to their financial consequences.

L'Économiste Française.

MAY, 25. Referring to the wine crisis M. P. Leroy Beaulieu recommends the repression of "sugaring" and other frauds—winked at for the sake of votes—and the construction of an irrigating canal from the Rhone.

JUNE, 22. M. A. de Foville comments instructively on the graphical methods of statistics, as illustrated by the recent *Album de la Statistique Générale*, compiled by A. Fontaine and Lucien Mard. Graphically, in the literary sense, he sets forth in the issue of July 13, the evidence of stationary population and stationary wealth.

Jahrbuecher für National-Oekonomie (Jena).

MAY, 1907. *Zivilprocessstatistik*. ALBERT HESSE. *Das australische Sparkassawesen*. DR. R. SCHAEINER.

Archiv für Sozialwissenschaft (Tübingen).

JULY, 1907. *Der Begriff der Stadt und das Wesen der Städtebildung*. W. SOMBART. *Wertrechnung und Preisrechnung in Marzschens System*. L. v. BORTKIEWICZ. *Die österreichisch-ungarische Ausgleich I*. F. GAERTNER.

Giornale degli Economisti (Rome).

MAY, 1907. *L'interpolazione per la ricerca delle leggi economiche*. V. PARETO. Part of the forthcoming third volume of the author's *Cours*; dealing with empirical laws derivable from statistics. *La rilevazione dell' andamento del mercato del lavoro*. R. BACHI. *Arbitrato obbligatorio nell' Agricoltura*. F. COLETTI.

JUNE, 1907. *L'imposta sulle aree fabbricabili*. U. GOBBI. A tax on building sites is discussed, with special reference to the case of Milan. *Teorie dei Cambi esteri*. G. SENSINI. The theory of Foreign Exchanges is expounded more mathematically. *Travisamenti della Teoria degli scambi internazionali*. U. RICCI. Referring very unfavourably to the recent work of Prof. Fontana-Russo, who is described as a somnambulist who doesn't know where he is going.

JULY, 1907. *L'imposta sul reddito in Francia*. F. FLORA. A proposito di "una serie di studi sulla . . . Sardinia." F. COLETTI. Studies on the economic and social life of Sardinia carried out according to the writer's suggestion in the *Giornale* for May, 1901, by students of the Sassari University. *Curve delle espropriazioni per cause fiscali in Sardegna*. F. DI SUNI. One of the monographs referred to in the preceding article.

AUGUST, 1907. *Scienza economica*. YVES GUYOT. The preface to the book reviewed in the present number of the *ECONOMIC JOURNAL*. *Della natalità e della fecondità*. A. BENEDEUCE I. *Il tasso di sconto della banca di Francia*. G. FRANÇON. *La questione agraria nella Provincia di Ferrara*. P. SITTA. Based on P. Nicolini's recent book.

NEW BOOKS.

ASHLEY (PROF. W. J.). *British Industries*. A series of general reviews for business men and students. (Edited by Prof. W. J. Ashley.) Second Edition. London: Longmans. 1907. Pp. 232. 5s. 6d.

[The editor has enriched the second edition by a reference to several treatises dealing with particular industries which have appeared since the publication of the first edition.]

BARBOUR (J. S.). *A History of William Paterson and the Darien Company*. Edinburgh: Blackwood. 1907. Pp. 284.

CRACKANTHORPE (MONTAGUE). *Population and Progress*. London: Chapman and Hall. 1907. Pp. 131.

DEWSNUP (PROF. E. R.). *The Housing Problem in England*. Manchester: University of Manchester: Economical Series. University Press. 1907. Pp. 321.

DUNRAVEN (RIGHT HON. THE EARL OF). *The Outlook in Ireland: the Case for Devolution and Conciliation*. Dublin: Hodges. London: J. Murray. 1907. Pp. 295.

[The Economic and Social Conditions, the Industrial Future and the Financial Burdens of Ireland—the discussion of these and other economic topics entitle this work to mention here.]

JEBB (L.). *The Small Holdings of England: a Survey of Various Existing Systems*. London: Murray. Pp. 445.

[By the authoress of the article relating to the subject in the March number of the *ECONOMIC JOURNAL*, and of the pamphlets reviewed in the June number. The principles there established are here supported by additional examples.]

GILMAN (CHARLOTTE PERKINS). *Women and Economics. With an Introduction by Stanton Coit*. London: Putnam's Sons. 1906. Pp. 358. 6d.

[Apparently a reprint of the book written by Charlotte Perkins Stetson—a name which still appears under the preface—which was reviewed in the *ECONOMIC JOURNAL* for 1899.]

Sociological Papers, Vol. III. (Published for the Sociological Society.) London: Macmillan. 1907. Pp. 382.

[A collection of eleven papers among which as nearest related to economics we may notice *The Problem of the Unemployed* by Mr. W. H. Beveridge, *Methods of Investigation* by Mrs. Sidney Webb, Mr. W. McDougald's *Practical Eugenic Suggestions*—that civil servants and other select classes should be remunerated according to a scale sliding upwards with the number of living children.

Tariff Commission. Vol. VI. *Report on the Glass Industry*. Vol. VII. *Report on Sugar and Confectionery*. London: P. S. King. 1907.

[Among the memoranda in vol. vii. is one on the *Position of the West Indian Sugar Industry*, by the West India Committee, on the *German Sugar Kartells* by G. Martineau, on *Continental Bounty Systems* by A. D. Steel-Maitland, on *British Refiners and the Brussels Convention* by the Chairman of the British Refiners' Association.]

American Economic Association. *Papers and Discussions of the Nineteenth Annual Meeting*. New York: Macmillan Co. 1907. Pp. 267.

["The Modern Standard of Business," Hon. Prof. J. W. Jenks. "On what principles a Court of Arbitration should proceed in determining the rate of wages," Prof. J. B. Clark. "Western Civilisation and the Birth-rate," E. A. Ross. "Theories concerning Stages of Economic Development," E. F. Gay. "The Extent of Child Labor in the United States," S. M. Lindsay. And other papers.]

BOUDIN (L. B.). *The Theoretical System of Karl Marx*. Chicago: Kerr. 1907. Pp. 286.

["The monument of the greatest thinker of the nineteenth century" is exhibited in the light of recent criticism.]

BLACKMAR (FRANK W.). *Economics*. New York: The Macmillan Co. 1907. Pp. 539.

[A useful addition to the numerous text-books on economics which have recently appeared in America. The author aims at covering the "entire field of economics" in a "simple and direct" exposition of the "elements" of the science. He has made no attempt to "elaborate particular theories." In the general arrangement of his material he has followed traditional lines, but the disquisitions on "methods of economic investigations," on "transportation," and on "trusts" show that he is abreast of modern movements.]

BERGLUND (A. B.). *The United States Steel Corporation. A study of the growth and influence of combination in the iron and steel industry*. New York: Columbia University Press. 1907.

BOND (PROF. BEVERLY W.). *The Monroe Mission to France, 1794-6*. (Johns Hopkins' University Studies.) Baltimore: Johns Hopkins' Press. 1907.

[Much light is thrown on the circumstances of the Jay treaty.]

BRISCO (NORRIS A.). *The Economic Policy of Robert Walpole*. (Columbia University Studies.) New York: Columbia University Press. 1907. Pp. 222.

DAY (CLIVE). *A History of Commerce*. (Longmans' Commercial Textbooks.) London: Longmans. 1907. Pp. 626.

FRIEDMAN (H. G.). *The Taxation of Corporation in Massachusetts*. (Columbia University Studies.) New York: Columbia University Press. 1907. Pp. 177.

HORD (JOHN S.). *Internal Taxation in the Philippines*. (Johns Hopkins' University Studies.) Baltimore: Johns Hopkins Press. 1907. Pp. 45.

[The internal revenue law of 1904 contrasts favourably with the old system.]

HULL (WALTER HENRY). *Practical Problems in Banking and Currency*. Being a number of selected addresses delivered in recent years by prominent bankers, financiers, and economists. Edited by W. H. Hull. With an introduction by the Hon. Charles Phillips. New York: Macmillan Co. 1907. Pp. 596. 15s.

JACOBSTEIN (MEYER). *The Tobacco Industry in the United States*. (Columbia University Studies.) New York: Columbia University Press. 1907. Pp. 208.

LEWIS (AUSTIN). *The Rise of the American Proletarian*. Chicago: Kerr. 1907. Pp. 213.

[The rise of the greater capitalism will be followed by that of the proletariat, the triumph of which does not threaten art and science.]

TENNEY (ALVAN). *Social Democracy and Population*. (Studies of Columbia University.) New York: Columbia University Press. 1907. Pp. 89.

[Increase of population dependent on foreign trade is dangerous.]

ALGER (FRÉDÉRIC). *La Crise Viticole et la Viticulture méridionale (1900-1907)*. Paris: Giard. 1907. Pp. 130.

[The question now agitating France is lucidly stated in this little book. The author finds the causes of the crisis principally in the disorganisation of the vine-market, the want of capital, and absence of speculation.]

AUCUY (MAX). Les Systèmes Socialistes d'Échange. Paris: Alcau. Pp. 372.

[An interesting study of the different systems from Owen to Solway that have endeavoured to suppress money.]

LEVASSEUR. Question ouvrières et industrielles en France sous la troisième République. Paris: Rousseau. Pp. 968.

[This is the fifth and last volume of the great work devoted by the distinguished author to the history of the working classes in France. This volume is not so much a history as a review of present labour problems.]

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[A sequel to the annual reviewed in the ECONOMIC JOURNAL, xvi. p. 605, and xvii. p. 267.]

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[A plea for shorter hours of work. An *optional* half-day for married women is recommended.]

MORGENROTH (DR. WILLI). Die Exportpolitik der Kartelle. Leipzig: Duncker & Humblot. 1907. Pp. 119.

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[The writer, a high official, was prevented by death from completing these interesting reflections on modern economic life.]

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[A revised edition of the comprehensive work reviewed in the ECONOMIC JOURNAL, vol. vii.]

MINICI. *La base economica della degenerazione con prefazione di A. Loria.* Naples: Soc. Coop.

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HECKSCHER (ELI F.). *Till belysning af Jährnvägarnas betydelse för Sveriges ekonomiska utveckling.* Stockholm: Centraltryckeriet. 1907. Pp. 171.

[This treatise on the influence of railways upon the economic development of Sweden, the enlargement of an official investigation, shows the increase of population in "railway parishes." The Swedish, unlike the American, railways have favoured the maintenance of small industrial communities rather than the growth of great centres; but probably owing to the absence of keen competition between railways, the trunk lines being built and owned by government.]

THE ECONOMIC JOURNAL

DECEMBER, 1907

THE PRESENT POSITION OF POLITICAL ECONOMY.¹

IF I attempt what has been more than once undertaken by my predecessors in this chair—a survey of the past history and present position of political economy in this country—there are circumstances, obvious to all, which render the task to-day far easier than before. The passage of time brings many advantages—the advantage, above all, of perspective. We are able to look back and make out the relative magnitude of things; we can see how the objects in the field of vision group themselves together; and the influences which are dubious when they surround us are no longer questionable when we can stand away from them and discern their beginnings and their endings. And thus it is that we can now say—and expect general acquiescence—what twenty years ago would have called forth loud protest, and would, indeed, have been premature; and that is, that the first phase of economics as a systematic study in this country is now well over; that the orthodox economics of the middle of the nineteenth century has for some time been quite dead. We shall differ, unquestionably, as to its value, both as an intellectual construction and as an instrument of social and political change; we shall differ, perhaps, as to the relation to it of that present-day teaching which some will deem a natural outgrowth from the old, others its very antithesis. But about the fact of its departure we shall all be agreed. No economist of any reputation in this country, or in America, or in Germany, when left to himself, lays stress now on the propositions which Ricardo and his school

¹ Presidential Address to the Economic Science and Statistics Section of the British Association for the Advancement of Science, at Leicester, 1907.

emphasised; nor does he draw the same conclusions as to practical policy. At most he may seek, with natural piety, to show how certain famous sentences, properly interpreted, may still be regarded as containing an element of truth. Every new text-book that appears makes the disappearance of the old orthodoxy the more evident; indeed, it is the very consciousness that the old has passed away which is bringing the present flood of new text-books upon us. And hence the position of the first phase of English economics as a system of thought has passed in large measure out of the sphere of the controversial; we can criticise it objectively and dispassionately; it has become a closed chapter in intellectual history.

It is the additional good fortune of those who would seek to disentangle the outlines of that chapter that the materials for that, as well as for preceding chapters, are now ready to their hands in a whole series of recent publications. Among those to whom we are especially indebted, gratitude compels me to mention the names of Professor Oncken, Professor Hasbach, Dr. Cannan, Professor Foxwell, and M. Halévy. But there is one writer upon the so-called "classical" economics whose recent masterly treatise has been peculiarly welcome; I refer to the late Sir Leslie Stephen's "English Utilitarians." And for this reason in particular, that Leslie Stephen was neither an historical, nor a reactionary, nor a socialist critic of *laissez-faire*. His sympathies were with the older economists rather than against them; his general mental attitude was still so largely that of the utilitarian circle that he might be counted upon to do the Ricardians full justice. If anyone still doubts whether there really was such a thing as an orthodox body of economic doctrine, the doubt can be quickly resolved by reference to Leslie Stephen's pages.

Few things are more remarkable in the history of thought than the rapidity with which the Ricardian economics secured its dominion over public opinion. Adam Smith had laid the foundation in the assumption of free competition; Malthus had absolutely reversed the ideas of social philosophers on the subject of population. But neither in 1776 nor in 1798 was the man or the time ready for a "system." The creative period came a good deal later; it hardly extends beyond the decade from 1810 to 1820. Towards the end of that decade, in 1817, Ricardo's book rose above the torrent of controversial pamphlets; and almost at once the edifice was complete. The doctrine of rent which Ricardo championed furnished a centre round which the

other doctrines could group themselves; while the conception of natural law—taken over by the Physiocrats long before from contemporary philosophy, learnt from the Physiocrats by J. B. Say, and now, through Say, impressed anew on Ricardo and his associates—gave to the new tenets a superhuman sanction. For if the word “religion” has any meaning, we must recognise that political economy was, in a very real sense, one of the new religions of that wonderful era of fermentation. As early as 1821 the “deposit” of doctrine was complete; it only remained to propagate it. And this completion of the system is indicated by two events. One was the foundation of the Political Economy Club; the other, the publication of James Mill’s “Elements.” The Political Economy Club was the assembly of the elders of the new church, and its rules breathe all the spirit of ecclesiastical fervour. The “just principles of political economy” are assumed to be already discovered; the members bind themselves to procure their “diffusion.” They declare it to be their duty “to watch carefully and to ascertain if any doctrines hostile to sound views on political economy have been propagated”; they undertake “to avail themselves of every favourable opportunity for the publication of seasonable truths.” James Mill’s manual is even more symptomatic of the stage which political economy was believed by its adepts to have reached. Political economy, it takes for granted, is already a “science” whose “essential principles” are known, and need only to be “detached from extraneous topics” and “stated in their logical order.” What shows, perhaps, best of all how completely all hesitation has passed away from the mind of its author is the fact that the work is avowedly designed to be a “school-book,” addressed to “persons of either sex of ordinary understanding”—the first, in fact, of those manuals by which young people have been turned into prigs before their time. And it was James Mill, we are coming more and more to realise, who did more than any other one man, first to impel Ricardo to write, and then to systematise the new faith and organise its propaganda.

How rapidly that propaganda was successful! In 1821 Ricardian political economy was the creed of a part only of “a small and very unpopular sect,” the Utilitarians, which “excited antipathy on all sides.” Its teaching, we may recall, was received with repugnance and protest by the man of that age who saw most deeply into the human soul—I mean, of course, Wordsworth—as well as by Coleridge, who was beginning to teach his countrymen a truer philosophy of history. And yet in

another ten years it had won wide acceptance, and had become the dominant force in social legislation. What Coleridge said in 1832 of the Malthusian foundation was true by that time of the system generally; it had "gotten complete possession of the leading men of the kingdom."

It would occupy us too long, and it might suggest a controversy I should wish to avoid, if I sought to furnish a complete explanation of this remarkable and rapid success. We should probably all agree that the system owed its general acceptance less to its intellectual merits—for when have great political forces been set moving by sheer weight of argument?—than to its singular appropriateness to contemporary conditions. It appealed both to the good and to the evil sides of the new manufacturing middle class; to the spirit of enterprise which no longer felt the need of the protective legislation of the past; and to the narrow self-satisfaction which found in the law of population a release from the sense of social obligation. The term "manufacturing economists," applied to the Ricardian group by a pamphleteer of the period, was eminently apposite: and as the manufacturing interest coalesced with the fragments of the old Whig connection, and formed the modern Liberal party, the new political economy furnished a platform on which both these wings could unite, and which saved them from the necessity of falling back for a policy on the more thorough-going democratic doctrines of un-"philosophical" or præ-"philosophical" Radicals and Chartists. That "they overrated the political economists" was one of the chief reasons assigned by Dr. Arnold in 1840 for the difficulty he felt in working with the Liberal party. And it must be remembered that, "in thus being taken over into practical politics, political economy lost altogether the hypothetical character which its more cautious exponents attributed to it; its conclusions were no longer remembered to require "verification"; "other considerations besides the purely economic" were left to the other side to point out; and economic principles were regarded as rules directly and immediately applicable to existing circumstances.

It is not, however, any particular explanation of the very general acceptance of the Ricardian creed as early as 1832, but the bare fact of that acceptance that I wish to lay stress upon. Indications of it abound. Consider, for instance, the almost complete neglect which all contemporary economic writers suffered—and there were not a few—who diverged from the now codified teaching. We can understand this with writers like Thompson and Hodgskin, from whom Marx seems subsequently

to have derived the claim for the labourer to "the whole product" of industry. This was a doctrine for the manual workers, and their time had not yet come. But, as Professor Seligman has recently pointed out, there was also more than one writer of the period who anticipated what has quite recently become, for the time, the current teaching of most English-speaking economists. The marginal conception of value which this generation owes to Jevons and Menger was clearly enough expounded by Longfield in 1833, but it passed unregarded. As I am not myself altogether convinced that the notion really carries us any great distance, for reasons to which I shall return, I do not particularly blame his contemporaries. But it is evident that their inattention was due, not to dissatisfaction with what men like Longfield offered them, but to satisfaction with the apparently sufficient formulæ they had already mastered.

A further indication of the victory of the Ricardian school may be found in the promulgation of what may fairly be called the orthodox doctrine of economic method. The essay of the younger Mill "On the Definition of Political Economy, and on the Method of Investigation proper to it" was drafted and completed in these very years of triumph—between 1829 and 1833. The proper method, according to John Mill, was the *a priori* one, "the only method by which truth can possibly be attained in any department of the social science." Though he then avoided the term "deductive," and continued to the end to use "inductive" and "deductive" in a fashion of his own, "deductive" is the fairest brief description of what he had in his mind, and he finally fell back upon the word in his "Logic." In the treatise of Cairnes on the subject, which may be regarded as an expansion and popularisation of Mill's essay one-and-twenty years later, it is clearly laid down that as "the economist starts with a knowledge of ultimate causes" the preliminary work of induction to reach premisses is reduced to a minimum, and the economist must "regard deduction as his principal resource."

It cannot be necessary to examine the correctness of this opinion, for the simple reason that it is no longer entertained in all its primitive rigour and vigour by English-speaking economists; and it is held by few indeed of those of other countries. Professor Edgeworth, in reviewing some years ago the book of the Dutch economist Pierson, remarked that "it is refreshing to find in these days a first-rate economist who has the courage to say that deduction is the only effective method";

and Pierson's singularity sufficiently indicates the present state of opinion. It would, indeed, be misleading to imply that all serious workers in the economic field are absolutely at one in this respect. But since Henry Sidgwick's eminently judicial review of the controversy in 1883; since the leading representatives of opposing schools in Germany, Wagner and Schmoller, have approached each other so nearly in their recognition of the equal validity of induction and deduction for "the tasks appropriate to each"; since the *doyen* of English economists, Professor Marshall, has come to use, with such hearty acquiescence, Schmoller's metaphor of the two feet equally necessary in walking—sweeping assertions like those of John Mill and Cairnes sound antiquated to our ears. Let me interpose the remark that a method of observation and generalisation—the method, in fact, of historical and statistical inquiry—is peculiarly appropriate to a kind of investigation which the older economists hardly contemplated, and that is into the structure of industrial organisation and institutions and the evolution of that structure. But for this process it is misleading to use the term "induction," since "induction" suggests a different sort of goal. And, on the other hand, it would seem as if less use were being made of "deduction" in recent years by abstract economists themselves. Certainly, in the various marginal theories of distribution which have been pushing the simple Ricardian tenets into the background, it is not so easy to disentangle a deductive line of reasoning as it was, for instance, in the earlier doctrine of wages or profit. The fashionable modern term "analysis" is elastic enough to cover several different kinds of mental operation. "No one who knows the meaning of terms," we have lately been informed in a tone of authority, "will call the analytical study of the motives which govern men in business a *strictly* deductive method."

To return, however, to John Mill and the "methodology" of 1833. Perhaps the most curious fact about it, when one comes to reflect, is its totally unhistorical character. Cairnes says somewhere that "no economic or social truth meriting the name of scientific ever has been discovered" by induction. But it may be said with equal positiveness and more accuracy that none of the fundamental doctrines of Ricardian economics were actually discovered by deductive or *a priori* reasoning. As Professor Hasbach has so usefully reminded us, they were all of them conclusions directly suggested to observers by the facts of life before them—observers some of them in past centuries, some

recent, like Anderson and West and Malthus. What the Ricardian group did was to work these "truths" into a system and support them more or less by formal reasoning. Deduction became in their hands an effective pedagogical method, but it had not really been the instrument of "discovery."

Yet its unhistorical character only brings out more clearly the place of John Mill's doctrine of method in the history of economic thought. Its appearance marks the passage of the Ricardian faith into its third stage—the stage of apologetics; and apologetics, here as elsewhere, tended to mask and misrepresent the real character of the forces and influences which had actually given rise to the doctrine. Nevertheless for some decades it was sufficient for its purpose. When John Mill came to write his own great text-book in 1848 he "spoke as one expounding an established system"; and established the system remained for at least twenty years longer. Fawcett's book, which appeared in 1863, which ran through many editions and remained the text-book for passmen well into the 'eighties, was only a simplified Mill. During all this time orthodoxy was a very real thing, and the penalties of heresy were not always light. In the bitterness of his heart Jevons once declared in a private letter that "the Mill faction never scrupled at putting their lecturers and examiners wherever they could." But "faction" is too harsh a word; it was the body of the Church.

That the doctrine should remain so long in vogue in academic, civil service, and journalistic circles, in spite of the assaults of Ruskin and in spite of the just anger of the working classes, is easily explained. It was due chiefly to the success, for the time, of the great Free Trade measure of 1846; a measure which, though dictated by the immediate interests of the manufacturers, was in complete accord with the then orthodox economics. English trade was increasing "by leaps and bounds"; England was becoming the workshop of the world, and seemed likely so to remain. The doubts which even men like Malthus, not to mention conservative philosophers like Coleridge, had entertained as to whether a purely manufacturing policy would turn out in the long run to be safe could be contemptuously dismissed; and the literary dignity of John Mill's book did much to secure its hold on respectful attention. Those who were drawn to a more generous attitude towards the labouring population and a nobler conception of society than were congenial to the first generation of economists found much to appeal to them in the moving passages which Mill wrote under the influence of Comte and the

Socialists. It was as yet hardly realised that such passages had no natural place in the body of orthodox teaching.

There were not wanting, during this long period of half a century, currents of European thought which might have been expected to disturb the complacency of English economics. But these currents never made their way into England. For the failure of each of them there is perhaps some explanation. Comte's criticism of political economy (1839-42) was associated with a destructive philosophy of religion, and with a personality singularly alien to any usual English type. That Le Play's method of family monographs and workmen's budgets should have had to wait to our days before it called forth imitation in England is harder to explain; but that may also have been due to the association of a method of economic investigation with a large philosophy of religion and society, very different from that of Comte, but, like Comte, speaking a dialect foreign to English ears. The creators of the German "historical" school of economists—Roscher (1843), Hildebrand (1848), Knies (1853)—had no such associations to hamper them, and in their own country their influence quietly spread over the Universities and among the official classes. But the period was one marked in England by an almost complete ignorance of contemporary German thought. It was indeed the time of Germany's humiliation; and I suppose the victories of 1870 did more to make us learn German than any spontaneous enlargement of interests.

I began by saying that the Ricardian orthodoxy is, by general consent, to all intents and purposes dead to-day among English-speaking economists. By that, of course, I do not mean that there are not, even yet, portions of their writings that are still valuable; but that what the Ricardians themselves regarded as the most vital part, the part which they frequently identified with political economy as a whole, the part which lent itself to practical conclusions in the sphere of taxation—that is to say, the doctrine of distribution—is no longer held (with the dubious exception of the doctrine of rent) in any shape which they would themselves have recognised. Its abandonment has been due to a series of assaults from several quarters and on different parts of the fabric, which occupied little more than the decade 1870-80. They were almost all, immediately if not ultimately, from English directions; they were all, not from outside humanitarians, but from professed economists; and some of them were from men who had no sort of realisation of the damage they were doing to an edifice they supposed themselves to be propping up.

It will be enough to mention them in order. In 1869 John Mill threw over his disciples and renounced the wage-fund doctrine, giving hardly a thought to the security of what remained. In 1871 Jevons produced his quasi-mathematical theory, the effect of which was to show, as he declared, how "that able but wrong-headed man David Ricardo shunted the car of economic science on to a wrong line, a line on which it was further urged towards confusion by his equally able and wrong-headed admirer John Stuart Mill." In 1874 Cairnes "newly-expounded" "some leading principles of political economy" in a way which, while "not in any sense antagonistic towards the science built up by the labours of Adam Smith, Malthus, Ricardo, and Mill," aimed at showing that, "as at present generally received," it contained "no small proportion of faulty material." In 1876 Bagehot began a series of articles which were intended to rehabilitate orthodox economics—among other ways by returning to the narrowness of its scope before the younger Mill tried in vain to widen it, but with the result, in many minds, of still further discrediting it. In 1877 the American economist Francis Walker produced a new and far-reaching doctrine of wages. In 1879 Cliffe Leslie's collected essays introduced the English reader to the German historical economists, and made clear—what the consistent advocates of a "hypothetical" science had never denied, but what ordinary economic writings had been curiously unable to keep before men's minds—the vast difference between "tendencies" and actual phenomena. And finally, in 1881-2, the lectures of Arnold Toynbee made an attempt to show how the historical method could be applied to the interpretation of actual conditions. Meanwhile, it should also be added, the dissemination of the teachings of the so-called "scientific" socialists—of Lassalle's "Iron Law of Wages," and Marx's "Surplus Value"—disposed conservatively minded thinkers to re-examine that Ricardian teaching to which the Socialists, with so much show of reason, were in the habit of appealing.

To what now has all this ferment led? After a time of almost complete chaos it might seem as if a new structure of theory with regard to the fundamental problem of distribution had once more been erected—to judge from the appearance in these latter years of a whole shelf-full of imposing text-books. We need but glance through them to discover that there has as yet been no substantial reconstruction among English-speaking economists on *historical* lines. The historical study of economic conditions has, it is true, made considerable progress; to that I shall return later,

But the centre of interest among academic economists (and with them must be reckoned for this purpose some influential writers outside the Universities) is still to be found, both in this country and in America, in abstract argument. Among the diverse lines of thought which converged upon the old orthodoxy for its destruction in 1870-80, that represented by Jevons has for the time had the widest influence. It has been supplemented by the similar influences of Austrian economists—Menger, Böhm-Bawerk, and Wieser—who have been made accessible to English readers by translation or paraphrase; and partly under impulses from Jevons and the Austrians, partly from an original turn for abstract speculation, there has appeared in America an independent theorician of the first rank, Professor Clark, who has already carried most of the younger economists of the United States with him, and is beginning to make himself felt on this side of the ocean.

In speaking of this second, this newer, phase of abstract economics, my task is more perilous. The movement has only just got well under way; and it would be rash to predict its destination. I shall confine myself to a very few observations: and possibly one who occupies a detached position outside theoretic discussion may see some of the larger features of the situation more distinctly than those who are themselves taking part in the debate.

Perhaps the best term for the representatives of the newer abstract phase would be "the Marginalists." They employ the conception in different ways and with different results; but with all of them the notion of the *Margin*, the *Grenz*, is a never-failing resource. They all begin, at any rate, by laying stress on the doctrine of marginal or final utility, some as the key to the whole problem of value, some as the key to the demand side of it. And what has one to say to it? Of course, in the first place, it is quite true, so far as it goes; and, in the second place, it is pedagogically of some use. It puts an elementary bit of psychology in a way calculated to make the youthful beginner do a little thinking. Even for this purpose it is not without its dangers; for "utility" cannot but be a constantly misleading name for mere "desiredness," however carefully it may be explained. Suppose, however, we all remember always that "utility" does not necessarily mean in economics what it means in ordinary speech, how far does the doctrine take us? I cannot help thinking that it takes us a very short way indeed. Instead of leading us to the very heart of the problem, the doctrine of

marginal value seems to me to remain entirely on the surface : it is not much more than a verbal description of the superficial facts at a particular point of time. The intensity of demand varies inversely, more or less rapidly, with the extent to which it is satisfied ; for different commodities there are different scales of intensity ; under certain circumstances one demand will be substituted for another. True, doubtless. But *why* do people demand just those things? On what does the rapidity of satiation depend? Have their desires always been the same ; or the possibilities of production in order to meet them? How are desires related to one another? What are they likely to become? What are the limits to demand set by the economic situation of the demanders? These are the things we really want to know. The problem is, in a wide sense of the term, an *historical* one ; or, if you prefer the phrase, a *sociological* one, both "static" and "dynamic." Behind the workman's wife making up her mind on Saturday night whether to buy another loaf or a scrap more meat stand the whole of human nature and the whole of social history. And this is what, I suspect, the deeper thinkers among the Marginalists are obscurely realising. When Professor Marshall distinguishes between normal and market value, and invites us, in order to understand normal value, to contemplate a chain of forces operating, both on the demand and the supply side, for indefinitely long periods, is he not in substance recognising that the problem is one of age-long development? And, similarly, when Professor Clark points out that even utility is not a homogeneous thing ; that every commodity is really a bundle of utilities for different purposes ; and that therefore "value is a *social* phenomenon," he is approaching the real complexity of a sociological problem. It is with a true instinct that Mr. Carver waives these subtleties of the Columbia economist on one side ; he perceives that simplicity of economic "analysis" would speedily disappear if the psychology became more profound.

When we pass from marginal utility to the exposition of the laws of distribution to which it serves as a prelude, the attempt to judge of the true character of the neo-abstract literature of recent days becomes extraordinarily difficult. For one who should try, as I have recently done, to review that literature as a whole will be startled to find how far-reaching are the divergences within it. Its only unity would seem to consist in a common belief in the value of abstract (or, as it is sometimes called, "general") reasoning, and in the common employment of a few specialised terms. Doubtless all the differences could

be construed as differences of emphasis; but this is hardly reassuring, for the emphasis may differ so much as to give totally opposite impressions. A man may be "coloured" with so little emphasis as to be practically white, or with so much emphasis as to be practically black. So long as the student keeps to a particular set of writings, he may cherish the impression of a triumphant analysis, solving all difficulties for intelligent men in the same way; when he extends his reading he will find that there are at least three main groups, following respectively the lead of Cambridge, of Vienna, and of New York; while among the younger men there are all sorts of ingenious but mutually irreconcilable attempts at eclectic compromise.

The want of agreement shows itself, I cannot help thinking, even before we turn to specific doctrines, when we ask ourselves what is supposed to be the relation of the several "systems" to real life. It is the old difficulty, still giving trouble, of the relative importance of "tendency" and "friction." Grant, if you will, the possibility of a doctrine of tendencies, it is surely of the first importance that we should have a pretty definite and continuous impression as to the width of the gap between the formulæ and visible phenomena. Yet, while some of the abstract economists give the impression that the tendencies they formulate are actually, with some little delay and in a rough-and-ready way, on the whole realising themselves in concrete circumstances, others give the impression that their science is so very "pure" as to have hardly anything visibly in common with the crude doings of impure humanity. One leading writer assures us that in his book "normal action is taken to be that which may be expected, under certain conditions, from the members of an industrial group; and no attempt is made to exclude the influence of any motives, the action of which is regular, merely because they are altruistic." On the other hand, his persuasive American colleague turns our thoughts in just the opposite direction. He tells us that "the impression of unreality which is made by the studies of the classical political economy is removed by completing them on the same theoretical plan on which they have been started. We must use assumptions boldly and advisedly, make labour and capital absolutely mobile, and let competition work in ideal perfection."

There has been one fresh and welcome advance upon the position of the older writers. Both Professor Marshall and Professor Clark would seem to agree in describing their methods of treating economic phenomena as primarily "statical," even if

they are not quite at one in the meaning they attach to the adjective. Both regard a statical doctrine as, in a sense, only an introduction, though a necessary one in their eyes, to "a more philosophic treatment of society." It is not, indeed, easy to see how a whole abstract system can be made an essential preliminary; if, as the former writer tells us, "the function of analysis and deduction in economics is not to forge a few long chains of reasoning, but to forge rightly many short chains and single connecting-links"—a place which all sensible historic economists would readily grant to it. However, the distinction between static and dynamic is a significant precaution, if only the ordinary reader can bear it in mind. If "actual society is always dynamic," and "because of this continual evolution the standards of wages and of interest to-day are not what they will be ten years hence," it is evident that the lonely figure of "the marginal shepherd" would give little help in settling, let us say, the Australian shearers' strike. And this, perhaps, is why a younger American economist already referred to, who retains the old orthodox preference for a short way with dissenters, becomes a little restive. "The static state," he says, is "a heroic assumption of doubtful utility." Possibly he fears that, if the appearance of the promised "dynamic" theory is long delayed, the assumption may be as dangerous as some other "heroic" remedies have been.

Until that time comes, and looking only at the several "static" systems themselves, we find that there is hardly a single point in the whole theory of distribution on which there is as yet any approach to unanimity. What was the one doctrine associated with the name of Ricardo which survived the wreck of 1870-1880? It was the so-called "Ricardian" doctrine of the rent of land. Most British economists cling to the conception still, and regard the distinction between land and other instruments of production as one of the first importance. Indeed, they have gone further, and have applied the marginal idea and the term "rent" to all surpluses derived from the possession of differential advantages. It then becomes natural to see "quasi-rent" or "analogies to rent" in every direction. But, from seeing a peculiar thing everywhere, the transition is easy to seeing no peculiarity anywhere. And thus it is not only the Austrian writers who are disposed to rub out the distinction between land and other instruments of production; the chief American theorist, Professor Clark, throws the whole Ricardian doctrine overboard. He is daring enough to say that the argu-

ments advanced to prove that "rent does not enter into price" would "prove that wages and interest are also residual amounts, having no price-making power; and this is an absurdity." A growing band of American disciples accepts this view; and in recent text-books, like those of Professors Fetter and Seligman, the beginner is calmly told that the doctrine still taught by high authority in England "is now being abandoned by economic students."

The same contention reaches our ears when we approach any other part of the field of distribution. What, for instance, is profit? Is it a return for the business man's share in the work of production? Is it a marginal product? Or does it arise because the owners of the real "factors of production" do not succeed in getting *their* "marginal products"? Is there, after all, *normally* no absolute net profit (*Unternehmensgewinn*) apart from interest, wages, and insurance? On all these points discord reigns among what would seem to be equally competent theorists. Or take interest. What is the explanation of the fact of interest? Large Austrian books have been translated which dismiss all previous explanations with contempt, and instruct us that the true solution is the discounting of future goods. This view, which our leading English economist condemns as "one-sided," has, nevertheless, found some acceptance in England; and it is accepted wholesale in the Dutch treatise which has been recently translated for our benefit because of its unique combination of reasoning power with knowledge of affairs. If there were time we could take the remaining topic of distribution, viz., wages, and entangle ourselves in the like perplexity. It may be enough if we notice in passing that, on such a vital question as whether trade-unions could effect a general rise of wages, not only would opinions differ, but those who agreed in their answers would get at them in quite different ways.

It has not been my purpose in thus displaying the present position of abstract economics to deny its interest. Its study is certainly sharpening to the wits, and it is hardly likely that all the opposing doctrines are mistaken. It may be that in another quarter of a century opinions will have shaken themselves down and assumed their permanent places and proportions, and then the "system" to which we shall have arrived may be of evident assistance in the understanding of life. Meanwhile, an Englishman may feel a just satisfaction in the width of sympathies and the sober balance of judgment which mark the chief English treatise of this period, and even an untheoretical reader will

gratefully acknowledge the abundant help to be derived from Professor Marshall's knowledge and insight. My purpose was simply to show that, though there has been a new growth of abstract speculation since the first phase of orthodoxy passed away, there has not emerged a second orthodoxy so far. There is no reason why those who think that a very moderate amount of general reasoning will go a long way in the interpretation of facts, when once these facts have been collected and arranged, should be so dazzled by any of the new systems as to be checked in their own more plodding career.

Side by side, however, with all this activity in the field of theory—an activity which, it must be confessed, has almost monopolised the attention of professed economists—there has been a most remarkable awakening of interest in the actual economic history of our land. As I have already observed, the criticisms of the historical school have not led, so far, to the creation of a new political economy on historical lines: even in Germany it is only within very recent years that some of the larger outlines of such an economics have begun to loom up before us in the great treatise of Gustav Schmoller. But what has, at any rate, been secured in this country is a most substantial increase in the knowledge of our own economic past. How remarkable the progress has been we only realise when we begin to look back and take stock of our recent acquisitions. Five-and-twenty years ago interest in the subject was curiously languid. This had not always been the case. In the eighteenth century Anderson and Eden had brought together great collections of material; and in the 'thirties and 'forties of last century the currency discussion had produced the work of Tooke, and pride in the new inventions a number of histories of particular trades. The most typical book of this later period, however, was the work of Ricardo's brother-in-law, the first head of the Statistical Department of the Board of Trade. Porter's *Progress of the Nation* (1836-1843) was a prolonged statistical paean of triumph over the results of growing enlightenment. The blessings of the new era having thus been displayed, it might seem as if it was hardly worth while to learn anything more about the past. If a student had inquired in 1880 for the best recent treatises dealing with our economic history at large, he would have been referred to Leone Levi's *History of British Commerce* from 1763, and to the first two volumes of Thorold Rogers' *History of Agriculture and Prices*, coming down to 1400. The former was a useful compilation put together in the

most unscientific and philistine spirit; the latter was the outcome of a vast amount of toil, but the material collected was not of such a nature as to afford a clear understanding of the fundamental institutions of the Middle Ages. Accordingly, those who began to interest themselves in such subjects were compelled to look abroad. In the works of Brentano, Ochenkowski, Schanz, Nasse, and Held they found, in varying degrees, a scientific method and a stimulus not to be met with at home; and there can be little wonder if they were inclined to assign to one or other of these German monographs more weight than really belonged to it.

But the years 1882-1884 marked the beginning of a better time. Three books appeared, very different in their character, but each in its way opening a new era. To Toynbee's *Industrial Revolution* (1884) I have already referred. Its chief value lay in its showing how impartial investigation of the past could be combined with ardent enthusiasm for social improvement. Shortly before, Dr. Cunningham's *Growth of English History and Commerce* (1882) had given us for the first time a treatise which attempted to cover the whole historical ground. It was the forerunner of those enlarged and re-written editions which have grown into the three stately volumes now on our shelves. The time would fail me to single out the numerous particular topics on which Dr. Cunningham has enlightened us: what is a far greater service is that by his masterly and encyclopædic grasp of the whole vast field he has kept before our minds the fundamental idea of the continuity of our national development. About the same date the book of Mr. Seebohm on *The English Village Community* (1883) gave us, for the first time, the right starting-point for our study of mediæval (and therefore of modern) agrarian history. It is an example of the way in which even the largest facts of national life are apt to drift out of the minds of the next generation that the "open-field" system of husbandry should have been entirely forgotten in hardly more than fifty years from the time when the thing itself finally passed away. The manorial economy, as Mr. Seebohm reconstructed it, may possibly be a little more symmetrical than the facts; but, without an understanding of its main features, mediæval agricultural conditions must have remained unknown to us. Let anyone who fails to appreciate Mr. Seebohm's incomparable services try to find in any modern writer before him a clear explanation of the *yardland*—the pivot of the agricultural organisation of every old English village.

Of subsequent workers in this field of economic history it is only possible to give a bare list. Professor Maitland, whose untimely loss we all deplore, has enabled us to get truer notions of mediæval law: he has confirmed the impression that there were certain underlying conditions common to the whole of Western Europe by his proof of the acceptance of the canon law in England; and to his example and influence we owe a great increase in the printed materials for manorial and municipal history. Mr. Powell has added exactness to our knowledge of the great peasant rising; Mr. Leadam has printed the official evidence concerning the enclosures of the sixteenth century; Mr. Stevens, Sir George Birdwood, and others have given like assistance for the beginnings of our East India trade; Miss Leonard has explained the part played by the earlier Stuarts in establishing the English poor law; Mr. Galton and Mr. Unwin have helped to bridge over the gulf between the mediæval guild and the modern trade-union; Mr. and Mrs. Webb have laid bare the local government of the seventeenth and eighteenth centuries, a period more obscure in some ways than the age of the Plantagenets; Mr. Gray has written the annals of philanthropy; and Mr. Slater has taken up the thread of agrarian history and systematically examined the later enclosures. The beginnings of Scotch manufactures have been explored by Mr. Scott; the troublesome story of the relation of English policy to Irish industry has been told by Miss Murray; the history of nineteenth-century factory legislation has for the first time been written in perspective by Miss Hutchins and Miss Harrison conjointly; the movement of wages during the same period has been traced by Mr. Bowley; and while the modern combination of labour has found its first serious historians in Mr. and Mrs. Webb, the even more recent tendency towards capitalist combination has been portrayed by Mr. Macrosty. For particular industries we have now the works of Mr. Ellison and Professor Chapman on the cotton trade; and Mr. Jeans' reports on the iron trade; while Dr. Creighton has dealt with a subject of the utmost economic interest in his history of epidemics. This is a recital of which we may well be proud.

And meanwhile we have been receiving assistance equally valuable from foreign scholars. Two American students trained in Germany, Messrs. Page and Gay, have thrown a strong light on the commutation of labour services in the fourteenth century and on the enclosures of the sixteenth and seventeenth. Two German scholars, Professor Ehrenberg and Dr. Lohmann, have

greatly added to our knowledge of the place occupied in our history by the woollen industry, the one explaining the struggle for the admission of English cloth to the Continent, the other the methods of governmental regulation. Two others, Professor Hasbach and Dr. Levy, have turned their attention to our agrarian development; and, while the former has investigated the fortunes of the agricultural labourer, the latter has traced the rise and decline of capitalist cereal farming. And it is a sign of the recent revival of solid historical studies in the land of M. Fustel de Coulanges that a French scholar, M. Mantoux, has just given us by far the most complete account of the industrial revolution of the eighteenth century. If we cannot but regret that some of these books do not bear the names of English scholars, there still remains a large field for English scholars to explore.

Accompanying the new zeal in this country for original research, there has come a recognition equally new of the importance of economic history in the examination requirements of the Universities. On looking at the fresh work of investigation which we have just been surveying, it will be observed that a large part of it has been more or less closely connected either with Cambridge or with the London School of Economics; and it is notorious that the impulse has been due in the one place chiefly to Dr. Cunningham and in the other chiefly to Professor Hewins and Mr. Webb. Accordingly, it is appropriate that economic history should have been given a respectable place alike in the Cambridge History Tripos and in the examination for Science Degrees in Economics in the University of London. Even more significant is the room made for economic history in the Economics paper of the First Class Civil Service Examination, both for home and for Indian appointments. Quite a considerable number of undergraduates do now every year give some little attention to the subject; at least half a dozen formal examination papers must be set upon it annually; and there are already three or four elementary text-books in existence for the beginner to choose from. And all this is so far to the good; in an examination-ridden country it is the only way in which a subject can command any general attention. But I seem to observe a certain tendency towards what I should regard as an unfortunately sharp division for academic purposes between economic theory and economic history. There is an inclination to regard each as a specialism unconcerned with the other, and represented by a different expert; or, if sometimes combined in

one person, kept in separate compartments of the brain. It is inevitable and salutary that some economists should be much more historical, others much more theoretic, in their interests. But a complete divorce either of narrative history and description from the large consideration of cause and effect or of pure theory from the conception of historic evolution would seem to be equally undesirable.

I have not concealed my opinion that much of the labour that has been devoted to economics in English-speaking countries during the last quarter of a century has been less fruitful than one could desire, and yet the outlook is more encouraging in many respects than ever before—certainly in this country. For look at one interesting feature of the present situation. It is only of late years that the teaching of economics has begun to be so recognised and organised in our universities that it can be said to offer a career to a young man of ability in the sense in which, for instance, chemistry offers a career.

The triumph of the Ricardians led to the creation of professorships of political economy at Oxford in 1825, at Cambridge in 1828, at Dublin in 1832. The two rival London colleges, University and King's, and the Queen's Colleges in Ireland, followed suit. But until a surprisingly recent date there was no real working professorship of political economy in Great Britain comparable to the ordinary professorships in any German university—and by "comparable" I mean carrying with it a living wage and involving the devotion of the main strength of the incumbent to the duties of the chair. The remuneration was in most cases absurdly inadequate; the appointment at Oxford and Cambridge was the sport of election, and was at first made for a term of years; and it was commonly regarded either as a stepping-stone to a Government appointment or as an appendage and assistance to a political career. This was due partly to the place which professorial lectures generally then occupied in university life. "Professors' lectures were considered to be mainly ornamental, and they scarcely formed a part of the real educational system." It was due in part to the then orthodox view of the character of the study. "According to Fawcett," says Sir Leslie Stephen, diplomatically, in the biography from which I have just quoted, "the leading principles of political economy and those which were really valuable were few, simple, and therefore capable of an exposition on the level of average intelligence." And the same view was held by most of his contemporaries, both here and in

America. The author of the best-known American handbook of economics of this period has himself described his scientific equipment: "I had scarcely read a dozen pages of Bastiat when, closing the book, and giving myself to an hour's reflection, the field of political economy in all its outlines and landmarks lay before my mind." In those days the presidency of an American college was commonly given to an elderly clergyman, and in the choice of teaching duties to be attached to the office the lot usually fell upon political economy, because it was the easiest subject to get up.

But to return to Great Britain. It was not till Professor Marshall became professor at Cambridge twenty-two years ago that either of the older English universities secured in its chair of economics an effective head of a living department of university study. Meanwhile, certainly, things had been improving elsewhere. At Owens College a chair had been created—or rather a half-chair, for political economy was joined with logic—and it had been made the most of by Jevons; and in 1871 another was founded at Edinburgh. After 1871 followed a long interval, devoid of addition to the scanty number of economic chairs. In the middle of the 'eighties, however, came a fresh moving of the waters: first ill-paid lectureships made their appearance; and then these gradually blossomed out into full professorships. Toronto led the way within the Empire in 1888; Liverpool and Glasgow established professorships in 1891 and 1896; and since then Birmingham, Manchester, Leeds, and Bristol, as well as Montreal across the sea, have followed the example. The other universities and university colleges are, with few exceptions, already in the lecturer stage. The professor, where there is one, is also usually assisted by a lecturer; two or three graduate scholarships have already been created to assist the future economist in his earlier steps; and in the *ECONOMIC JOURNAL*, so impartially edited by Professor Edgeworth, as well as in the *Economic Review*, both founded in 1891, there is a medium for the publication of scholarly, non-popular work. Economics, in short, is beginning to furnish a career.

This is a condition of things in itself favourable to economic studies. It has its drawbacks indeed, and I feel personally and painfully enough the dangers of academic life. We must all be aware how much we owe to writers unhampered by the duties of the professional teacher of economics—to men like Mr. Seebohm, Mr. Booth, Mr. Rowntree, Mr. Palgrave, Mr. Webb, Mr. Hobson, Mr. Money, and Mr. Welsford, to mention but a few

among them. But such non-academic work involves either the possession of private means or the pursuit of some other and remunerative occupation, such as journalism. And grateful as we must be for all original and stimulating contributions to knowledge, we cannot be so confident, either in the supply of men of means with scholarly interests or in the ability of journalists to overcome partisan predilection, as to dispense willingly with a reasonably large contingent of professed economists within the Universities.

The revival of economic studies in Great Britain of late years has been due to the almost unconscious convergence of several influences. On the one side has been the growing interest in what are called "social questions," and, combined with this, a perception of the need for more systematic training for that work of municipal and political administration which is every day embracing a larger part of the national activity. It is to motives like these that was due the foundation of the London School of Economics. Too much credit can scarcely be given to those who, whatever their own economic views, had the statesmanlike courage to found an institution distinguished from the first by the largest impartiality, or to the first director, Mr. Hewins, who conducted it through the difficult years of its infancy. Coming from another side there has been a realisation of the need for systematic training for commercial careers—the conviction to which have been due the new Faculties of Commerce at Birmingham and Manchester, and the new Economics Tripos at Cambridge. On this aspect of the recent development, which naturally is to me of primary interest, I shall make only one comment—that I am convinced that the study of actual business organisation, methods, and conditions is not only desirable for the preparation of our future leaders of trade and industry for their subsequent careers; though when we consider all that that means we can hardly over-estimate its importance. It is desirable also for the enlargement and deepening of the purely scientific understanding of economic problems. To take but one example, the investigation of the modes of life of the working classes which we owe to Mr. Booth, to Mr. Rowntree, and more lately to Lady Bell, will have little meaning unless we can combine it with a study of the situation from the other end, from the end of the director of business operations, and can see how his policy is shaped, and how it affects the workpeople.

May I add one concluding observation, and that not, I hope, in an unduly controversial spirit? When one looks back on a

century of economic teaching and writing, the chief lesson should, I feel, be one of caution and modesty, and especially when we approach the burning issues of our own day. We economists—for, whether we like it or not, we of to-day have to bear the sins of our predecessors—we economists have been so often in the wrong! On so very much that had to do with the condition of the great body of the people we were for half a century either so glaringly mistaken or so annoyingly unsympathetic that even to-day a man is ashamed to avow himself an economist in the face of an English working-class audience. And on questions of trade, how hasty, how superficial, seem now many of the opinions so confidently expressed by our predecessors in the days of England's "industrial supremacy." In the present position of economic theory, moreover, there is everything to deter us from dogmatism. There are, it is true, a few elementary propositions on which all who have given any systematic attention to the subject are agreed; but they are so very few, and they carry us such a little way! In various directions in economic literature we can find patches of systematised fact and little bits of general reasoning which deserve attention. The outlines, moreover, of our industrial history are beginning to be unveiled. But there is not yet—perhaps there never will be—a body of generally accepted economic doctrine by which every practical proposal can at once be tested. As Professor Marshall has truly said, "the science is still almost in its infancy." Surely we have learnt that the time for sweeping generalities has gone by.

"In the world in which we live"—the same writer has remarked with regard to the fundamental question of value—"every plain and simple doctrine . . . is necessarily false, and the greater the appearance of lucidity which is given to it by skilful exposition the more mischievous it is." And what is true of the foundation is true of the superstructure. Among serious economists there is hardly one left who would maintain that theory is capable of furnishing a conclusive proof either of the wisdom or the unwisdom of free trade under all circumstances. Nothing is easier than to adduce a number of theoretic arguments on either side. The right decision in each case must be reached, not by abstract reasoning, but by estimating the concrete facts and probabilities which give the several arguments their due weight. What the Cambridge economist has pointed out so forcibly a few months ago with regard to economics at large is applicable equally to this particular topic. "There is a general agreement as to the character and directions of the changes which various economic forces *tend* to produce. . . . Much less progress

has been made towards the *quantitative* determination of the *relative strength* of different economic forces." And this, he confesses, is the "higher and more difficult task." Meanwhile, it behoves each of us to make it clear that, even if he is speaking *ex cathedra*, as people say, he is still speaking *in propria persona*, with all his limitations and unconscious bias; he is not the mouthpiece of Science.

I venture to lay stress upon this point, because I am most anxious that economists—not as exponents of a unanimous doctrine, but as individuals who have given time and thought to industrial and commercial affairs—should have their just share in guiding national action in the future. In 1840 John Mill startled his utilitarian friends by the remark: "The spirit of philosophy in England is rootedly sectarian," and in "philosophy" he included economics. We have seen how the Ricardian school, the first phase of economic orthodoxy, was in fact an appendage to the Liberal party of those days. It would be regrettable if an impression grew up to-day that economists still gave up to party what was meant for mankind. I recognise, of course, that the economist's present attitude must be affected by his forecast of the future. If he thinks that all departure from the present commercial policy of this country is likely to be permanently staved off, then the preservation of a future influence is not an object worth considering. But there must be many who, as they look around them and reflect upon what other democracies have done in our own time, will confess that change is probable, much as they may at present be inclined to regret it. And, if so, must they not desire that the measures on which the country may embark should receive as much competent criticism in detail as can possibly be directed upon them? I have always recognised that the strongest argument against a policy of preference is that it may open the door to forms of protection that are unnecessary and undesirable. Only a grave sense of the needs of the nation and empire could induce any of us to be ready to face the risk. But the risk could be, and ought to be, minimised by the pressure of competent and well-informed criticism of particular measures. The excesses of protection, both in the United States and in France, have been due, in no small degree, to the extreme doctrinaire attitude of American and French economists, an attitude so extreme that the busy, practical world went on its way as though they were not. Let us hope that this country will profit by the warning, and that her economists will not be put out of court at the outset by the justifiable ascription to them from either side of a disqualifying bias. .

W. J. ASHLEY

THE RISE AND TENDENCIES OF GERMAN TRANSATLANTIC ENTERPRISE

THE year 1907 is memorable as the Centennial of a change in the commercial relations between Germany and the United Kingdom. At the end of 1806 the members of the "Hamburg Court" of the English "Company of Merchant Adventurers" had been imprisoned by the French occupants. Seeing that the "Continental System" would not allow a continuation of their trade in 1807, they withdrew from Hamburg. This was the end of a settlement that had been established more than 200 years ago, after the decay of the Hanseatic League. It had played a most important part in transforming the character of the Anglo-German commerce, and whilst it had ceased to play an active rôle it had remained as a token of a most remarkable development.

Up to this time the trade relations of the German Empire, with the exception of a short period at the end of the eighteenth century, had been confined to European countries. Of its ocean commerce a very large part was handled by foreigners—English, Dutch, French, Scandinavians.

Before the establishment of the United States, a country without colonies had no lawful chance for transatlantic intercourse, and the small and powerless German territories could not take the risk of secretly entering into avenues which might have led them into serious conflicts with the strong colonial Powers.

The era of revolutionary wars consummated a most remarkable change; and by the last quinquennium of the eighteenth century the Hanse Towns, politically inoffensive in consequence of their smallness and neutrality, had become the chief marts for colonial wares, brought thither directly in foreign as well as in German bottoms. At the same time, the occupation of Amsterdam by the French and the suspension of cash payments by the Bank of England made Hamburg, with its famous bank, the centre of international exchanges. The residents of the small and conservative German harbour were surprised and somewhat overcome by the unexpected development, and by the sequence of

a series of booms and crises which ensued between 1793 and 1806. The downfall of this year demonstrated the artificial character of this hot-house development; the Continental System and the blockade of the seven years preceding Napoleon's downfall put an almost complete stop to all kinds of maritime commerce on the German coast. The fear arose that even the old commercial position was lost for ever.

But as the former hopes, so now the present fears proved to be exaggerated. Slowly the wheels of commerce were started again after 1815, and it soon became apparent that some of the changes brought about by the turbulent period would prove to be permanently beneficial. The year 1808 had given independence to Brazil. Between 1810 and 1830 Spanish America won its freedom. This opened almost all of America to the free traffic of the world, and, full of new hope and enterprise, German merchants, especially of the Hanse Towns, were not slow to avail themselves of these opportunities.

Commercial firms emigrated to all countries of the Western Hemisphere. One hundred and eighty German firms alone were counted in the United States after 1840. Scores of them acquired an important position all the way from Mexico to Chile and the River La Plata. About this same time a number of German merchants gained a hand in the Eastern trade. The revocation of the monopoly of the East India Company in 1815 had created limited opportunities for competition in its domain; in the 'twenties, German ships found access to the Chinese trade. A third important impetus ensued in the abolition of the colonial systems of almost all countries, following the English precedent at the middle of the century. The assertion of Soetbeer, the well-known economist, now covered the whole world: "Through the liberation of the larger part of America from colonial ties Germany, so to speak, was endowed with colonies, and Hamburg was now enabled to win an independent share in the world's commerce."

The American policy of reciprocity in shipping and the abrogation of navigation laws in the leading countries favoured still further the rise of shipping interests in some German States; their trade in the 'fifties extended to Australasia and along the African coast, so that before the establishment of the Empire there was to be found a certain amount of German trade with almost all countries of the world.

It was not *German* traffic though; there was not a German flag; it was carried on under the respective flags of Hamburg,

Bremen, Lübeck, Prussia, Mecklenburg, Oldenburg, and Hanover, &c., until, in 1867, these were replaced by the ensign of the North German Union and by the flag of the German Empire in 1871. Moreover, the trade was not completely German. German firms, established abroad, transacted a large percentage of their business, not with Germany, but with other countries; for instance, German houses sent coffee from Brazil to New York or Havre and supplied the Brazilian market with cottons from Manchester, silks from Lyons, cutlery from Sheffield, and matches from Sweden. And, further, it was not wholly German in this respect, that a large share of the business was carried on with foreign banking facilities, under foreign insurance, and, to a great extent, in foreign bottoms.

Germans from various German States were thus busy traders over the world, but they represented, more or less, local interests; they were not agents of a national trade, as there was not a German nation to represent; they were not representatives of large exporting industries, as there were practically no large industries with strong exporting interests, with the possible exception of the old-established and powerful linen industry. Germany was an exporter of agricultural products which went chiefly to England from the Baltic ports of Prussia. Exports of manufactured articles were very limited. Of the latter, a considerable share went to the transatlantic countries through England, which also was the first hand and medium for a large part of Germany's imports of tropical and sub-tropical products.

Nevertheless, it would be a mistake to underrate the fact that hundreds of German merchants and bankers thrived in transatlantic countries, and that the Germans had become accustomed to send their ships regularly to the farthest parts of the world. "Without the old foundation, laid chiefly under Hanseatic flags," says an article in the thirteenth volume of the publications of the *Hamburg Geographical Society*, "Germany would not possess to-day the transoceanic trade which she now has."

The eighth decade of the nineteenth century marks the turning-point not only in German political history, but also in the economic development of the country. What was initiated by the Zollverein in 1834 on *economic* lines, a national union, was now *politically* consummated. The re-occupation of two lost provinces from France strengthened the economic activities of the new Empire. At about this same time the country reached a point in the growth of its population that was not less momentous than these events. At the beginning of the century there lived

on the soil of the present Empire little more than twenty million people. In 1871 their number increased to about forty-one millions. This was a stage of saturation that, a generation ago, Friedrich List had pointed out as the possible limit of density of population for a self-sustaining Germany. The further increase at once led to its transition from a grain-exporting to a grain-importing country. This was a landmark in Germany's foreign situation. From this time Germany had but to choose between the importation of food-stuffs and other necessities, or the exportation of hundreds of thousands of her people. Whilst emigration for a time seemed to bid fair to assist in the solution of the problem, it reached its height with more than 220,000 emigrants in 1882, and has fallen off ever since. It runs between 20,000 and 40,000 a year at present. On the other hand, there has been an ever-increasing excess of agricultural importations, and to-day 20 per cent. of the population of the country feed on foreign-grown food-stuffs, whilst more than 90 per cent. of the raw material for clothing comes from abroad, and an increasing number of imported "stimulants" which have in former times been considered as luxuries have now become goods of regular consumption by the masses, risen gradually to a higher standard of life.

Whilst in England at the end of the eighteenth or early in the nineteenth century the engine of capitalistic enterprise was started by the *entrepreneur*, who desired to make England the chief exporter of the world, to establish the wealth and power of his social class; whilst it was the *exporting* interest that transformed the social fabric of England and enabled the country to support a rapidly rising population: it was the *importing* interests of Germany, the necessity of feeding and employing a grown population, which compelled Germany to intensify her foreign activities. It took more than twenty years for the world, yes, even for Germany herself, to realise the meaning of the change. Never before had the interior and southern parts of the country known what "sea interests" could mean for them. One had been accustomed to consider transoceanic enterprise as the private domain of the sea-coast population who were looked at as half foreigners—English agents with an un-German mercantile spirit, difficult to classify in the hierarchy of civil and military interests. Now the people at large became aware that the cotton crops of North America, India, and Egypt, the wheat, maize, and rice supply of these countries, of Russia, the Argentine Republic, &c., the commercial situation in America or Australia, and the resulting demand for steel and hardware, textiles and chemicals, had an immediate

effect upon the well-being of the inhabitants of Stuttgart and München, Liepzig and Nürnberg, Breslau and Essen; and the looks of transatlantic crops and international markets could exercise a stronger influence upon the economic good of German working-men and manufacturers than the look of their Grand Duke or local administrative authority.

The development itself has in no sense been artificial, nor the product of governmental interference, as has been often stated abroad. Up to a very recent date the great majority of German officials, trained in the views of a provincial or continental standpoint, have looked upon the new development with a spirit of dissatisfaction, if not suspicion. Seafaring interests were something too antagonistic to their beloved methods of local regulation; and still to-day there are lively complaints going on amongst merchants and manufacturers that their interests are not properly cherished by certain classes of governmental officials. The German Empire has neither an independent Board of Trade nor a Ministry of Commerce and Navigation. Increasing attacks are directed by importers and exporters against its consular service; and the methods are vigorously denounced by which officials are trained for positions concerned with industrial and mercantile questions. It is the spread of the mercantile spirit of the coasting districts, imported, I dare say, to a large extent from England, and raised to a high standard by its touch with the achievements of German technological science and training, that has produced new types and classes of "captains of industry," merchant princes, and leaders of powerful stock companies who are able to handle the great volume of modern German trade.

The German nation is very young and unaccustomed to judge questions of international and inter-continental bearing. It was a difficult task to educate it to a realisation of the fact that its inner and the external situation were undergoing a rapid change. Strong and powerful words have been used, after the fashion, by the way, of English and American political campaigns, to bring about the necessary transformation of thinking.

During the first thirty-five years of its existence the foreign commerce of the Empire rose from £300,000,000 in 1872 to nearly £750,000,000 in 1906. Imports increased from £175,000,000 to £425,000,000, and exports from £125,000,000 to £325,000,000. This means an increase in foreign trade of 150 per cent., whilst the population has risen during the same period by 20,750,000, *i.e.*, less than 50 per cent. Foreign commerce, there-

fore, means something different to the Germany of to-day from what it did before the establishment of the Empire.

In this same time the steamers of the "commercial fleet" of the Empire rose from 100,000 to 1,900,000 tons, whilst the sailing ships decreased from 900,000 to less than 500,000 tons, so that the carrying capacity was increased from 1,200,000 to more than 8,000,000 tons. Of the German foreign commerce an increasing share, as is quite natural, is maritime commerce. Three-fourths of the imports come and two-thirds go by sea, and of these an increasing part is transacted with foreign continents. These, in 1906, sent £160,000,000 of merchandise as compared with £240,000,000, from Europe, and received £87,500,000 compared with £233,300,000 taken up by Europe.

The German balance of trade has become increasingly negative; whilst the difference amounted to £50,000,000 half a generation ago, it has risen to £100,000,000 to-day, and it rests almost entirely upon the differences in the trade with foreign continents that supply food-stuffs and raw materials. To English readers it is quite plain how this difference may be made up. It is by the income from foreign shipping, insurance, banking, and investments in foreign enterprise and foreign stocks and bonds. Recent investigations have shown that, whilst perhaps £20,000,000 are derived from shipping, the rest of the negative balance is made up by income from investments abroad that are figured at something like $1\frac{1}{2}$ milliard pounds. A careful review seems to prove that whilst the valuation of German colonial enterprise at the present hour cannot yet be put higher than £50,000,000, investments in the bonds and stocks of foreign transoceanic countries, including Turkey, amount to £200,000,000 out of a total of £800,000,000 of German foreign investments in securities; whilst the value of the property of German citizens living abroad and German investments in transoceanic undertakings, including Turkey, may be put at about £450,000,000. The total of investments in foreign continents represents the smaller half, but no doubt the most productive part of German foreign investments. Without this and the chances for its extension, Germany could not hope to support her congested population within her present boundaries without a disturbance of either the social peace within or the international political peace.

The number of Germans in foreign countries, outside of the United States and Australia, who have preserved their citizenship may be put at 500,000. Of these less than 75,000 to 80,000

live in transoceanic countries—small figures compared with the fact that the number of emigrants lost by Germany during the nineteenth century, with their descendants, amounts to not less than 25,000,000. This would seem a fatal loss but for the fact that the remaining population of the country has, nevertheless, increased during the century from 20,000,000 to more than 60,000,000. On the other hand, valuable connections have been preserved by emigrants with the mother country, and the proceeds of the income of the work of Germans abroad form a most valuable contribution to the national income.

It is worth while to look at the position which the British Empire holds in Germany's outdoor traffic. A considerable change has, no doubt, taken place. The position formerly held by England as the exporter of raw products from, and the importer of manufactured articles into Germany, as the chief middleman and carrier of her transatlantic trade, and as her banker and moneylender, does not exist any longer. To a considerable extent German transatlantic commerce has become independent of the services of the middleman. This is the same phenomenon which in many instances to-day connects the manufacturer in the interior towns of England or Germany with the transatlantic producer and consumer directly, with the cutting out of the middleman in Liverpool or Hamburg and in transatlantic seaports. The increasing capital in the hands of German bankers has in many cases enabled her merchants to dispense with foreign credits. There are times now when more German capital seeks employment in the London markets than English credit is bid for by German tradesmen.

Large amounts of high-grade manufactured goods still go from English centres of industry to Germany, but a large share of her British imports to-day consists of half-finished goods and raw materials, and from Greater Britain she receives imports of the same character and food-stuffs, whilst her exports to the British Empire are composed of raw materials, half-finished goods, and manufactures.

The British Empire is no longer paramount, yet it leads in German commerce to-day as ever, in spite of all these changes. In 1906 it supplied more than 18 per cent. of German imports, £74,000,000, of which £41,000,000 came from the British Isles, whilst it took a little over 20 per cent. of German exports, namely, £65,000,000, of which £53,000,000 went to the British Isles. It is characteristic that Germany sent an excess of £12,000,000 to England, whilst she received an excess of

£21,000,000 from British colonies. The German balance of trade is positive with the British Isles; it is negative with the whole of the British Empire.

The whole development seems to show that in more than one respect, on the ocean of modern economic conditions, England and Germany are sailing in the same boat. This explains why many of their interests lie in the same direction, whilst there may be sometimes a certain antagonism as to the position they hold in respect to the accommodation available in this vessel. Both have to supply an increasing population with material for work and food, partly obtained through imports, and have to pay with the results of the labour of their citizens, partly in the form of exports of merchandise, partly through the proceeds of former exports invested abroad. It would seem to be a comparatively simple matter when comparing the size of the world with England and Germany and their populations respectively, but for the fact that a majority of the imports required by each of them belong to the domain of decreasing returns, whilst a majority of their exports come from the domain of increasing returns. Considering the fact that other countries, such as Belgium, Holland, Japan, and sometimes France, live in a somewhat similar state to these two countries, and that the United States ere long will also start a policy of heavy industrial exports, and considering further that many other countries to-day, even tropical and sub-tropical States, are trying to establish modern industries of their own and profess their intention to manufacture at home their raw materials, the forecast of the future becomes complicated. German economic thought of late has, in consequence of these considerations, paid more attention to the question of foreign investments, as it will prove more and more difficult to find an adequate outlet for certain exports of internationally competing industries.

I do not need to discuss here the standpoint taken by English economists in regard to their similar problems. The question of international competition in exports is surely an important one between certain industries of the two countries. It will become much more important, though, in respect to the rising industries of other, chiefly the transatlantic countries. On the theory of the case we have quite a number of learned contributions on either side in Germany, by Oldenberg, Wagner, Pohle, Evert, Dietzel, Huber, Gothein, &c.. The problems involved surely offer the perspective for the whole industrial situation of the twenty-first

century world. I shall attempt to show, though, that for Germany only part of her problems are transoceanic; whilst another large part will always be continental. For England all commerce is transoceanic and must become increasingly so. For Germany an extended transatlantic commerce is vital, but £155,000,000, about 40 per cent. of her imports, come from, and £138,000,000, more than 40 per cent. of her exports, go to her immediate neighbours on the Continent. Her capital investments on the Continent are larger than over the seas—£300,000,000 or more in Russia alone. One centre of her commercial policy must always lie near the continental problems; her geographical situation compels her to face continental neighbours on three sides of her boundaries and the sea on the fourth.

As we have seen, in Germany's maritime commercial relations, the British Empire ranks foremost. It is further to be noticed that the three foremost commercial Powers of the world—England, Germany, and the United States—are at the same time the largest suppliers to and the best customers of each other. This shows more plainly still how the nations are in the same boat.

The mutual trade represents an overwhelming interest; it may be added that the internal well-being of each nation is most important for the others in consequence of modern industrial conditions. A flourishing home market means power of consumption. A depression necessarily means the throwing of industrial products on the world's markets. This is one of the intrinsics of machine production. A crisis in the United States would mean a double bar to German transatlantic enterprise by narrowing the markets in the great Republic and increasing American competition in South America and Eastern Asia, if not in Europe itself. A breakdown of American prosperity might bring American steel to Essen and Solingen and American coal to Newcastle.

I trust I have explained how the development of German maritime enterprise over the seas was the product of natural tendencies, of questions of population, and the social well-being of the masses; it was not the consequence of artificial interference or of unsound thirst for adventure. It remains to say a few words about the special methods that prevail at present.

We very often are told that besides governmental assistance, advice and even interference, the rise of this new notion of "sea interests" is due to the protective tariff, the Government railways, shipping subsidies, and that special form of trusts called "Kartells."

As to the *tariff*, I beg most emphatically to disagree with the

view that this is entirely useful *to-day* for German transatlantic enterprise. I am not a free trader, and I was able to convince myself that protection twenty-five years ago did much to nourish weak infant industries. But as conditions stand to-day many German *industries* could do much better if free trade prevailed. They could hold their own at home and export more cheaply but for the needs of *agricultural* protection for the country. An abolition of agricultural protection would most seriously interfere with the well-being of German agriculture and the agricultural population, which to-day still counts in its ranks more than 20,000,000 people, and so it would directly hurt the population at large. It would not only damage the consumptive capacity of millions, but would quickly bring the country to a situation where it would have to fall back on gigantic agricultural imports. This, again, for the continental country would bring about a much unsafer situation than for England, with her avenues of commerce ever open under the protection of her fleet.

Agricultural protection from the standpoint of transatlantic interest is an unavoidable evil that carries in its train the continuation of a moderate industrial protection.

As to *transportation*, Germany, no doubt, has a good and effective system of railways and waterways. Manufacturers and exporters, though accustomed to complain wherever it is possible, will usually admit that it is decently managed. They have been greatly assisted, too, by the existence of good navigable waterways like the waterways of the Rhine, Weser, Elbe, Oder, &c., that go down from the industrial centres to the sea, and which have taken a prominent part in keeping the railway rates down. The general statement that German rates to the sea-coast are specially arranged for the pushing of exports very often leaves this fact out of consideration, and, besides, it mistakes for a promotion of the exporting interest those tendencies which aim only to lead German exports to German seaports instead of to the outlying foreign harbours of Antwerp and Rotterdam on the Scheld and Rhine. I may add it would surely seem to be a most redeeming feature of European life if a state-railway system, burdened with all the red-tape of bureaucratic management, were able to make its arrangements more beneficial to the trade of its country than the privately managed railway systems of America and England, and, nevertheless, earn a respectable and increasing surplus on the investment every year.

As to German *shipping*, considerable in itself, though small as compared with the still five times larger fleet of England, it

may be noticed that this brings us nearer the real points. All German shipping is private enterprise. Only for the service to the Far East and Africa do German companies receive postal subsidies; one of them, the North German Lloyd, claims that even this has been a doubtful present. All the rest has been developed independently by the sons of the Hanse Towns. Surely this is an evidence of a special talent at organisation proved centuries ago in the Hanseatic League, suppressed systematically for centuries by the political decadence of the old Empire, but not killed. It now has witnessed a revival.

And this leads to the last point—the question of *organisation* at large. A careful review of the activities of German enterprise over the seas will show its predominating importance. It is not through the agencies of the German Kartells that foreign enterprise rose or flourishes to-day. They have done much to strengthen German industry within the country. Some of them have attempted to develop an exporting policy, but for the large majority all interest centres almost absolutely on the internal market, and even to the rest exportation is only a side issue. As history shows, transatlantic enterprise was built up by individual merchants and exporting manufacturers. A few representatives of Kartells recently began to appear in foreign countries.

Professor Sombart and myself, upon careful investigation at the end of the 'nineties, found independently that the internal market had developed much more rapidly than exports in Germany, and the same tendency still obtains. No doubt, in times of crises Kartells will "dump"; but they will do this not more, and in normal times will do it less than any large manufacturer who needs a quick realisation of his stock on hand. It may be different with a "trust" which can develop a more uniform policy of sales, but to this state very few German industries have risen.

It is a well-known fact that manufacturers who have the safety of selling a certain amount at home at remunerative prices avail themselves of the freedom of exporting a surplus as cheaply as possible. Evidences of this are neither novel nor peculiar to Germany, but are well-known emanations of modern machine-produced economic conditions.

But in two respects surely German talent of organisation has helped a good deal to pull up in the great international race. On the one hand the training in well-organised action given in the schools, the army, the technological schools, &c., of the country

has proved very helpful; though this also carries with it some dangers wherever individual activity is essential to foreign success. On the other hand, great assistance has been given in recent years to an extension of capitalistic enterprise by the extension of concentration in banking that has enabled the German business world to give a quicker rotation to its capital, small as this may be compared to the *per capita* wealth of England and France. Here, too, it is surely not Government assistance that has brought about the result; it is a well-known fact that the mistaken "Börsengesetz" has created general hostility among the banking fraternity, who justly claim that it direfully interferes with the sound development of the German money market at large, and especially with the foreign department of our Stock Exchanges. This law was a product of that governmentalism and agrarian hostility against capitalism and oceanic commerce which I mentioned before. From this source sprang a method of taxation of Stock Exchange transactions and securities that has kept many foreign securities out of German markets. Those that had lost money in foreign investments cried fraud; those that had made money wisely held their tongues. The situation was made use of by such as did not want to see foreign capitalistic interests grow too strong. The result was not in every respect quite what was expected. The strengthening of the strongest and most concentrated financial bodies, the large banks, could not be checked. They were able to swallow smaller interests and then to lend their assistance to the promotion of foreign enterprise. The old German private banker was swallowed up by large concerns, and this extended to German bankers abroad—German bankers in transatlantic places awoke to find at their door a branch of one of the ten or eleven German transatlantic banks which, on their part, are organs of the large German home banks in Berlin. They had to choose between a fierce competition against many odds, and complete submission, which ended in absorption or the re-modelling of their business into an agency of Central Banks. In this line also Germany has not reached by a long way what English foreign and colonial banks were able to obtain, but it has been a most useful help to German capitalistic growth nevertheless.

To sum the whole argument: Germany has developed considerable interests beyond the seas. They are vital for the preservation of the home status. She has been able to build them up with the help of her good schools and scientific institutions,

enterprising sons, a good talent for industrial organisation at home, and a good system of transportation there and abroad. We may add a talent for languages and adaptation to the habits and wants of foreign countries, a re-awakening of the adventurous spirit of the seafaring sons of the Hanseatic League. And we may further add a removal of many of the hindrances that the political disunion and an unfortunate system of territorial government had for centuries thrown in the way of all attempts at an economic revival. The year 1871 brought, with the establishment of the Empire, a political system more appropriate to the requirements of modern economic structure.

It has been more by the removal of a number of hindrances than by positive assistance from the Government that the present position in international enterprise has been attained. Practical men were not led into this by fantastic ideas of world power, but by plain considerations of the economic and social requirements of the resurrected nation. It ought to be noticed that all these interests are considerable to-day; nevertheless, they are widely surpassed by England. They have been much spoken of within the last twenty years, because in many regions they represented something novel, and parties that were met by their competition cried out against them, whilst those to whom their appearance proved useful remained quiet. When, in Germany, a political campaign was started to turn the people's attention towards these new interests, they were shown to them, of course, through a magnifying glass; and the world or the competitors pretended to believe this to be the real size of the picture. Germany had to make up 'something on the ocean, and, I think, she has done it in a measure nearly sufficient to the requirements of her economic condition. If she can feel sure of that final basis of Pitt's statesmanship—safety—she has attained a state of relative saturation in maritime matters; *i.e.*, there is no reason why in commerce or shipping or transatlantic investments she should proceed more rapidly than England.

Germany has a future on the water, and she must have it for the reasons which I have elaborated. This future and her coast-line must be protected and kept open, and, therefore, she had to establish that insurance institution for marine values—a strong fleet. But her geographical situation will, under the assumption that she is safe in this one vital respect, always put before her a number of other questions of a no less vital character. Germany is surrounded by other countries with a

dense population, the majority of them different in nationality. Whilst in the South France has lost a good deal of her aggressiveness in consequence of the retarding increase in her population, in the East a strong pressure has risen from the Polish quarters, a revival of the almost never-ceasing tendencies of "migration to the West" that has filled the history of the last sixteen centuries. The fact is most momentous, that not beyond the frontiers, but *in* Prussia, the Polish question lifts its head and Slavic tribes attempt to reconquer the old settled German soil of Silesia; yes, even the two provinces of Prussia and parts of Pomerania. Whilst hundreds of thousands of emigrants have left Germany for over-sea lands, tens of thousands of Polish agricultural labourers must be imported yearly to do the work on the estates and farms of Eastern and Central Germany. The rise of the Slavic wave is also proved by the fact that thousands of the inhabitants of old German settlements in Russia remigrate to and through their forefathers' country. These and some other considerations will require the most careful treatment of Eastern frontier questions by German statesmen in the immediate future; and for generations to come it will require all the national energy and power of population of the people of Germany to stem that tide.

Germany must attempt to increase her transatlantic enterprise normally, to develop the productiveness of her colonies along the lines of tropical and sub-tropical raw production, and the searching for mining treasures, and the consumptive capacity of the native inhabitants. She must show the flag of her merchantmen in all ports of the globe, and must be able to protect it as well as the population of her coasts. But the policy of Germany will for ever be primarily connected with continental issues. Only with the assistance of her sea interests will she be able to support herself and follow her vocation; the innermost destiny of the country, though, will always be interwoven with continental problems.

E. VON HALLE

ECONOMIC THEORY AND PROPOSALS FOR A LEGAL MINIMUM WAGE

THE place of pure theory in the discussion of proposals to establish a minimum wage may not be very extensive, but it is clearly marked. Much of the argument now being urged in favour of the proposals consists of novel economic doctrines, such as that of "parasitic trades," which need to be examined. Beyond this, theory suggests the issues upon which light is needed, and helps us to realise what is important and what is unimportant in the experiments in Australasia.

Advocates of a legal minimum wage suggest two lines of policy. The first is to deal with each trade separately, the system adopted in Victoria. A number of the sweated trades are picked out and wages boards established for each. These boards determine the minimum wage for each trade, after considering its special conditions. Hence there may be a different minimum for different trades. There is, however, a second method, advocated by Mr. and Mrs. Webb in their *Industrial Democracy*. This is to enact a general minimum wage determined by physiological considerations. The wage is to be enforced not only on a certain group of trades, but on all trades without distinction, as are the minimum requirements of the Factory Acts.

Beginning our inquiry by examining the first case, we will attempt to analyse the results of fixing a minimum in any trade or group of trades. We may assume for the present that the efficiency of both wage-earners and employers is the same both before and after the enactment of the minimum. Considerations arising from the possibility that the enactment will cause a change in their industrial character we will postpone until later.

If the minimum is no higher than the wage of the lowest paid workers would have been without a minimum, it obviously has no effect. If it is higher, the increased wage must come from somewhere. There seem to be three possible sources from which it may be derived :—(1) A fall in the wages of the more highly paid labourers; (2) an increase in the price of the commodity; (3) a fall in profits. The least likely source has been mentioned

first in order to deal with it before proceeding to more lengthy discussions. If the wages of the more highly paid labour are reduced, the supply in the trade is likely to be less than would otherwise have been the case, and this decrease in its supply will tend to force its wages up again. But we may go even further, and say that not only will its wages be as high as before, but that the probability is that they will be higher. The immediate result will probably be an attempt on the part of employers to recoup the loss on those hitherto earning less than the minimum, by cutting down the wages of those hitherto earning more. But in the long run, what will be the effect on the demand for the more highly skilled labour? We have to take into account the "Law of Substitution." When the same results can be obtained by different methods, the methods most likely to survive are those which are most efficient in proportion to their cost. If, then, the cost of any one method is raised, the tendency is for a competing method to take its place. In the sweated trades there seems to be a very real competition between highly skilled labour, low skilled labour, and machinery. For example, in the clothing trade the competition between factories, small workshops, and home work seems to resolve itself largely into a competition between fairly highly paid labour using much machinery and lower paid labour using less machinery. It seems probable, therefore, that an increase in the cost of the less skilled labour will stimulate the use of machinery and of more highly skilled labour. We will follow out later the results of the increase in the demand for machinery. At present we are only concerned to point out that the increased demand for the more highly skilled labour will tend to raise and not to lower its wages. There is therefore no reason to suppose that any rise in the wages of those who may benefit from a minimum wage is likely to come from the wages of those more highly paid.

Turning now to the second possible source, the price of the commodity may be raised to a point which will cover the increased wage. But the effect of a rise in the price of a commodity is to diminish the demand for it. Mr. and Mrs. Webb, indeed, in their *Industrial Democracy*, dispute this conclusion on the grounds that "it may well be that, rather than go without the particular commodity produced, the community would willingly pay more for it" (*Industrial Democracy*, Vol. II., p. 779). This statement may have one of two meanings. It may be read to suggest that the demand for the commodity may be as great after the rise in price as before. This is indeed theoretically possible if we

imagine that the commodity is one for which the demand is perfectly inelastic. The argument therefore depends upon the proof that the trades under consideration happen to possess this unique peculiarity; but this proof is not given. On the other hand, the statement that the community will not go without the commodity may merely mean that they will still want some of it. In this case, we need scarcely point out that this does not affect the conclusion that they will want less of it.

We may expect, then, that a rise in the price of the commodity will lead to a decrease in the demand for it. This means that a certain amount of the labour and capital hitherto employed in the production of the commodity must seek other occupations. But this is likely to involve both the labourers and employers in a loss. Employers and labourers were presumably occupied where, with such choice as they had, they thought they would do the best for themselves. They had not considered it worth their while to seek other occupations of their own accord. They are forced to do what in their own interests they had hitherto refrained from doing. It is no kindness to the workers in a trade to merely turn them out of it.

It was said that "a certain amount of labour and capital must seek other occupations." But what amount? This cannot be predicted. The answer depends on the character of the demand for the productions of the trade affected. If the demand for them is very inelastic, so that a rise in their price leads to only a slight fall in demand, the amount of labour and capital displaced will be small. On the other hand, if a rise in price is followed by a considerable decrease in demand, a great deal of labour and capital must be forced out of the trade. We can only say that the labour and capital which will have to seek other occupations are indefinite in amount.

These results can be made clear by comparing them with those of certain devices sometimes adopted by trade unions. Most economists nowadays pronounce in favour of trade unionism, but there is one method which they unanimously condemn—the device of restriction of numbers. Groups of workmen who raise their wages by placing unnecessary difficulties in the way of those who wish to enter the trade have been described as "selfish oligarchies." Their increase of wages is only secured by inflicting on their fellow-workmen in other trades a loss greater than their own gain. This policy, however, may be carried out in two ways, one less obvious but just as powerful as the other. The first method is, either by direct limitation of apprentices or some

other similar means to ensure without disguise that only a certain number of men shall enter the trade. But the second method is indirect, and consists in merely insisting on a standard rate considerably above the level which would be determined by free competition. This is just as effective as the first plan. The amount of labour which can enter the trade is strictly limited, for, if more than a certain supply were to enter, wages would fall below the limit enforced. We know that it is only in exceptional cases that a Trade Union can make use of this device. The pressure of labour into the trade is so strong that the union is not often powerful enough to enforce the stringent restriction necessary. If, however, we imagine its power to be so great that it can maintain the artificial wage without difficulty, we reach the position of the trades guarded by a legal minimum wage. It is the same as if they were dominated by trade unions which maintained the device of restriction of numbers with a stringency equal to the force of law.

Such, then, are the eventual effects, if the increased wage comes from an increase of price. There still remains the third possible source. The rise in wages may be secured at the expense of profits. Again, however, we must look at ultimate results. If the profits in these trades are diminished, property and business management which would otherwise have sought these trades will prefer more remunerative employment. This result may not, indeed, follow if the trades in which the minimum is enforced form a non-competing group, so that the supply of capital and business management in them does not depend on the profits which they obtain. We are not, however, aware that any advocate of the minimum wage has ever asserted that these peculiar conditions prevail. If, then, this possibility be passed over, the final result of a fall in profits will be the same as that which we have seen to follow from a rise in price. By diverting property and business management away from an industry, we decrease the supply of the commodities produced by the industry and we decrease the demand for labour in it. Hence the labour in its turn is diverted to other trades. Thus we are back in our former position. A certain amount of capital, business management, and labour are forced away from the trade which they chose for themselves, and are compelled to seek employment elsewhere where their net product and remuneration are lower.

We now come to consider the second line of policy, that of a general minimum imposed on all trades together. The same result can eventually be reached by the first method.

When every industry in which wages are below a certain minimum is brought within the operation of a wages board, as is happening in Victoria, the minimum wage gradually becomes universal. Similarly a system of compulsory arbitration, as in New Zealand, has the same effect, if the workers in the ill-paid trade appeal for arbitration, and the court in each case fixes the lowest wages at a certain minimum.

No lengthy discussion is needed to trace the results which now follow. In all the cases which we have hitherto examined, the labour displaced by the enactment of a minimum wage found employment at a still lower wage than before in industries to which the enactment did not apply. Now, however, this resource is shut off, for it may not accept employment anywhere at less than the minimum wage. It must therefore remain out of employment altogether.

The verdict of theory is, up to this point, evident. It cannot be regarded as necessarily hostile to the proposals. It merely states that, since the enactment of a minimum wage involves the possibility of creating a class prevented by the State from obtaining employment, we are led on to questions of quite a different character, and that the problem of dealing with this class must be regarded as an integral part of the discussion.

We come now to the doctrine of "parasitic trades," which is briefly as follows:—If the community were to give an annual bounty to all the employers in a certain industry it would be enabled to outstrip its rivals. The employers would gain an advantage analogous to a bounty if they obtained labour without being required to pay for it. Now, whenever employers hire men or women at a wage below full subsistence level they do obtain such a supply of unpaid labour force. Hence the trade is "parasitic" in the same sense as a trade dependent upon a bounty. If, therefore, in the one case it would be for the benefit of the community to cut off the bounty, we ought, in the other case, by enacting a minimum wage, to cut off the employment of the low-paid labour.

Such is the argument. The crucial question to be examined is whether the trades under consideration really receive any such bounty. Where is the supply of unpaid labour force? Although the assertion of its presence is the basis of the doctrine of parasitism, we cannot find any proof of its existence. This proof is certainly needed, for the fact that this unpaid labour is actually to be found in the trades which we are considering is denied by both theory and experience. Theory tells

us that the wage depends on the net product of labour. When the wage is below subsistence the labourers' net product is correspondingly low. The trade which pays little in wages, therefore, obtains little in return, just as the trade which pays higher wages receives a greater return. In neither case does the trade obtain labour for which it does not pay. Experience fully confirms the truth of the theory. One fact which all investigators into the conditions of these trades are agreed upon is that this low-paid labour is not particularly cheap at the price. The doctrine therefore rests upon a dictum which still remains to be justified.

But there is another case to which the term is applied where it seems to us to be abundantly justified. Mr. and Mrs. Webb describe a trade as parasitic when it is supplied with successive relays of boys and girls who are dismissed as soon as they become adults. Here the analogy with a bounty holds good. If labour and capital have been artificially attracted into an industry by a bounty, its withdrawal leads the labour and capital displaced to produce a greater net product elsewhere. Similarly, if boys and girls are forced out of trades which leave them with no useful training when they grow up, the energies thus diverted will be spent in a manner which will eventually increase their value to the community, provided that the time is occupied in learning something useful. The analogy, therefore, holds good. But there is the sharpest distinction between this case and that of low-paid adults. For with the latter there is no reason to suppose that if they are ejected from their present trades their net product elsewhere will be higher. The essential condition for the truth of the analogy is therefore absent.

Another frequent argument is that even though the minimum wage leads to a general increase in cost of production this will in no way injure our foreign trade, because, if the rise in prices is general and uniform in all the commodities of the community, the aggregate volume of the exports of that community will not be diminished merely by reason of the rise. The same reasoning has been used to prove that the volume of exports would not be affected by an increase in cost of production due to a shortening of hours. Briefly summed up, the argument is that international trade does not depend on the superiority of one country over another in relative expense of production, but on the existence of differences between the relative advantage possessed by either country in producing various classes of its own commodities. Hence, if the cost of labour entered in equal proportion into the expense of pro-

duction of all commodities, no shortening of hours or rise of wages would affect the relative advantage of one occupation over another, and, accordingly, the total export trade would not be affected. It is worth while noticing to what suspicious conclusions this reasoning leads. It is argued that if the price is raised by reducing the hours to eight our export trade remains undiminished. Exactly the same reasoning, however, leads to the conclusion that the hours might be reduced to seven, six, five . . . one a day, one a week, one a month, and so on, without affecting the volume of exports. Turning to a direct examination of the reasoning it seems difficult to escape the fact that a rise in the cost of a commodity causes, other things being equal, a fall in the demand for it. A rise, therefore, in the cost of all the commodities produced for foreign consumption will cause a fall in the demand for them—that is, a diminution of exports. It may be quite true that if the rise in cost is general and uniform throughout all the commodities produced by a nation, the differences in comparative cost will not be altered and the proportion of home to foreign trade will remain the same. The argument may prove this, but it is by no means the same thing as proving that the exports will remain unaffected. Their volume will diminish owing to the diminished demand, just as will the volume of home consumption. The argument takes it for granted that as long as the commodities exported bear the same proportion to those retained for home consumption, the volume of these exports remains unaltered. This does not follow. A rise in cost of production will diminish the volume of both home and foreign consumption, and thus need not alter the proportion between them. But yet the volume of exports will be diminished.

We now come to a different order of considerations. We have hitherto assumed that the efficiency of labour and capital would remain unaffected by the establishment of a minimum wage. But it is argued that this will not be the case. The most powerful reason for this view is the belief that if the employer paid more, the labour would quickly be worth more. This is certainly a tendency of the highest importance, but behind the argument lies the assumption that work will be at least as regular as before. Here, however, qualifications are necessary. The minimum wage will not have the same effect upon all those whom it touches. On the one hand, a certain number may receive the same employment as before at the higher wage, and in course of time, therefore, we may expect that the good results of their better fortune will show themselves. But, on the other hand, a certain number who were

in fairly regular work at a low wage, before the establishment of the minimum, may find that it is only at periods of some pressure that they are employed at the higher wage. They will obtain more wages on the occasions when they are in work, but at the cost of an increased irregularity of employment. They therefore are likely to be rendered even less efficient than before. How many, then, will be forced up and how many will be forced down? The answer is uncertain, too uncertain to warrant predictions either hostile or favourable to the minimum wage.

These considerations also apply to the statement that although the minimum wage will throw a certain number of persons out of work we shall at any rate have all those who are inefficient "under one hat." It will be seen that they will be no more sharply marked off than they are at present. The numbers of those in regular, semi-regular, and quite irregular employment at the minimum wage will still fluctuate and shade off into each other as they do now.

The next possible alteration in conditions is that the invention of improved processes will be stimulated, in order that they may do the work which can no longer be performed by low-paid labour. This result is to be welcomed, but we have to consider its effects on the immediate problem before us—the amount of unemployment created by a minimum wage. In the long run, the introduction of machinery will increase the national income and will thus raise the demand for all kinds of labour, as well as for land and capital. It will, therefore, to some extent increase the demand for the low-paid labour which we are considering. But, as this low-paid labour only obtains a share of the increased demand, in common with all the other factors of production in the community, its own gain is not very considerable. Meanwhile, it will probably have to bear more than its proportionate share of the loss due to any fluctuations which may follow the introduction of machinery. If the labourers whom we are considering look at the matter as other workmen do, they will probably not regard it as a kindness to them personally to stimulate the invention of machinery which will take the place of their labour. Although the introduction of the machinery increases the wealth of the community, we know that, unless the demand for the commodity which the machinery helps to produce has considerable elasticity, the labourers in the trade may have to bear the brunt of the change. This influence, therefore, is not likely to appreciably diminish the amount of unemployment caused by the minimum wage.

The last possible change in conditions which we shall consider

is one which would tend to increase and not to diminish the amount of labour left unemployed. We have incidentally pointed out that there is a continual competition for work between labour and capital, and that under the action of the law of substitution that agent is used which is most efficient in proportion to its cost. It appears that in many sweated trades it is only by its very cheapness that the labour can hold its own against the competition of capital, represented chiefly by machinery in factories. If, therefore, the cost of the labour is raised, the tendency will be for its place to be taken by capital. Many may consider that, in so far as this will assist the factory system in its struggle against small workshops and home work, the effect will be good. This may be so. At present, however, we are only concerned to notice that it will increase the probability that the labour hitherto earning less than the minimum will be left without employment.

Thus many of the arguments urged in favour of the proposal do not bear close scrutiny. Nevertheless, we have not moved away from the conclusion reached earlier in the article. Pure theory does not condemn the proposal. It merely leads to the conclusion that in the process of dealing with one problem we should be met by another. It suggests, therefore, that plans for grappling with this other problem are required to complete the schemes for a legal minimum wage.

H. B. LEES SMITH^o

GOVERNMENT AND PUBLIC FINANCE

THERE are from a financial point of view a variety of reasons why the transaction of certain affairs should become public functions. One of these reasons, and perhaps the most important, is the short-sightedness of the average consumer. The object of private undertakings is to earn a profit, or, in other words, to obtain for the trouble expended and the capital invested a return commensurate with the usual cost of such labour, and the customary profit on such capital. The bulk of our economic activities, in agriculture, industry, and commerce, is of this order, and it is generally taken for granted that the big profits of the most successful undertakings are the due reward of the superior quality of the services rendered. This presupposes that the consumers are the best judges of the value of the services for which they pay—an assumption no doubt sufficiently justified in the case of bread and meat, boots and clothing, and many other articles of daily need. But there are commodities which differ essentially from the common run, goods of a higher order, not adapted to the satisfaction of any material need, and therefore neither so universally and keenly desired, nor so judiciously appreciated. Nevertheless, some of these goods are so indispensable to the well-being of a civilised nation to-day that a wise legislature brings persuasion in the form of law to bear upon all citizens whose tastes may not lie in these directions. The leading example which we have in view is the case of elementary education. If the satisfaction of this want were left to the free play of economic activities, we may be sure that the supply offered would be inferior in quality and insufficient in quantity. The demand, on the other hand, would be slight and probably unintelligent. Public schools and compulsory attendance are the remedy for this evil. As however the want of popular demand for elementary education is due as much to poverty as to lukewarmness in the desire for instruction, the Government tries to temper the harshness of the obligation which it imposes by making the people a free gift of this unappreciated commodity. The cost of public education then is borne, not by the parents of the children, but by the

taxpayer, and there arises a new item of expenditure which the public purse must find a means of covering. It is a well-known fact that the development of elementary education in Germany, more especially during the last decades, with its growing requirements in the matter of salaries, buildings, educational appliances, baths, and so forth, constitutes an increasing stream of expenditure which has not by any means reached its maximum.

A parallel, if not exactly similar, case is to be found in the higher education of that smaller section of the population which is composed of the well-to-do or the specially gifted of all countries. This need is met by the financial sacrifices which have given us the endowed foundations of the old and new Universities of England, Scotland, and Ireland, and the higher educational centres of the oldest States of the American Union. Or else the burden is still borne by the taxpayer, whose contributions maintain the Universities of Germany, Switzerland, Austria, France, Italy, and Russia with occasional relief in the form of gifts and endowments, as in the German Universities and a few of the modern German Commercial Schools.

Without some sacrifice on the part of the State or the municipality, or without private munificence, nothing of importance is achieved in the realm of education. The principle of economic exchange (*do ut des*) is insufficient to meet the need, and never more so than to-day. And higher education is no exception to this rule. The only conspicuous example of an educational institution achieving some degree of success on these lines is afforded by the Swiss boarding school for young ladies and a few High Schools in Belgium and France.

There is a sufficiently easy method of escaping the financial burden indicated above. The State or the town may repudiate them as lying altogether outside its province. Hospitals, for example, which in German towns absorb a considerable portion of the public revenue, are in England exclusively dependent for their support on voluntary contributions. The only question is, which method is best adapted to obtain the end desired? The more convenient method of relying on voluntary support was once considered suitable for elementary education also, and it was not until the importance of universal instruction came to be realised that a safer and sounder method was adopted.

II.

There are other duties belonging to the State or the municipality which do not impose so heavy a burden on the public

funds as the provision of education. We refer to such undertakings as gasworks, waterworks, tramways, electrical supply works, and so forth. The older tradition of all countries had been to leave these matters to private enterprise; lately, however, they have passed under the control of local bodies, not only in Germany and Switzerland, but also in England. To supply, free of charge, these services, which are by no means intended for the poorer classes of the population only, but are at least as useful, if not more so, to the well-to-do, would be wrong and unjust. Each class enjoys them according to its needs; it is therefore just that all should pay for this sort of service in proportion to the extent to which they avail themselves of it, and that they should pay a price adequate to cover the cost of the service rendered. These undertakings therefore should not be run either at a loss or with a view to profit; they are withdrawn from the sphere of private enterprise in the first place, because it is believed that they can be worked better and more economically under public administration, and, in the second place, because they are in a measure monopolies, and it is supposed that in such cases the interests of the community are most efficiently protected under a system of public control.

From the financial point of view these institutions serve their purpose most successfully when they show neither a surplus nor a deficit in their yearly budget, *i.e.*, when they belong neither to the revenue nor to the expenditure side of the national account. This state of equilibrium is, however, occasionally influenced by considerations not altogether unlike those which led to the provision of free elementary education. Public baths, for example, have long since been provided in some German towns, especially in connection with the elementary schools, at a charge which does not cover the cost incurred. It was hoped in this way to bring their use within the reach of the lowest ranks of the population. The water companies, for similar sanitary reasons, fix the price of the water which they supply below the cost of production. So too, tramways either reduce their tariff to a rate which spells loss, out of consideration for the poorer class of travellers, or they offer their employees such favourable conditions in the matter of wages or hours of work, that the receipts cannot cover the expenditure. It would, of course, be desirable in all these cases that the receipts should exactly balance expenditure, so that the end should be attained without the financial sacrifice above-mentioned—desirable, that is, from the financial point of view, for every deficit of this nature must be made good by receipts from other sources.

The chief and most important example of an institution as above described is furnished by the State railways of Germany, Switzerland, and other countries. These are for the most part organised on a basis of financial equilibrium, for the vast amount of capital invested in these undertakings requires an adequate rate of interest, and any deficit in the revenue earned must be made up from other quarters. The popular view that losses of this kind are amply justified by the indirect advantages derived from cheap transport is not only unwarranted, but if urged as a general principle, becomes fraught with grave financial dangers. On the other hand, the Government which sets out with the intention of running its railways at a profit, is now almost a thing of the past. It is generally considered so important to provide the opportunities for passenger and goods traffic at cheap rates, that equilibrium is the principle adopted—the earnings of such an undertaking, it is generally agreed, shall not do more than cover the necessary expenditure. The practice of the world has been, more or less in accordance with this theory. There is, however, one conspicuous modern exception—the Prussian State railways—the consideration of which is the principal aim of these pages.

III.

National institutions, the sole object of which is to earn a revenue, are no novelty. As an example we may quote the ancient French monopolies. The Government monopoly of salt existed in the Roman Empire, in the towns of mediæval Europe, in France until the Revolution, in Germany until thirty years ago, and exists in Switzerland to this day. It is only occasionally, as for example in the Canton of Zürich, that a monopoly endures without serving a financial purpose. In France the tobacco monopoly was instituted by Colbert, abolished during the Revolution, and restored by a decree of Napoleon, since when it has remained one of the most important items in the French fiscal system. This monopoly is also a valuable asset in the budgets of other countries, such as Austria, Italy, Spain, &c.

The monopoly of the Postal Service dates from the same epoch, when the growing power of the monarchy in England, France, Austria, and Germany asserted itself by introducing new monopolies with a view to financial gain. It differs, however, in one respect from the purely financial monopolies, such as, *e.g.*, those of tobacco and salt. For these are simply a form of taxation, while the Postal Service has always to some extent served

a further purpose. The Government itself required a medium for the transmission of its own communications (in the Roman Empire this was the sole object of the "Cursus Publicus"). The public also needs a service and must be provided with some reliable institution, to which its letters, parcels and passengers can be entrusted. The old fiscal character of the Post Office and similar institutions is being more and more abandoned by a certain school of economists backed by the prejudice of public opinion, while its other functions are brought into proportionally greater prominence. It has become a favourite dogma that a profit on the administration of the Postal Service is inconsistent with the object of the undertaking, and that the State is no more entitled to benefit from a surplus which may arise on the yearly income of this department, than a co-operative store, which has to divide its available surplus among its members at the end of the year.

There is no heresy in the face of this dogma so impressive as the five millions sterling which the British Chancellor of the Exchequer annually receives from the General Post Office. The Radical reformers who succeeded in substituting penny postage for the high rates that used to be in force, are justified by the course of events. They maintained that the enormous increase in the volume of correspondence, which would follow on the introduction of penny postage, would prevent any material decrease in the profits of the department. It is true that Sir Rowland Hill somewhat overrated the immediate financial success of the facilities which he introduced. But his prophecies are all the more justified by the success which has been attained to-day.

And why does the English Government—in the face of popularly accepted dogma—cling to this inconsistency? Simply because a branch of the national administration, whether originally instituted with a view to financial gain or not, can become a suitable source of revenue, provided it succeeds in attaining this object with as much ease and justice and as little oppression as any of the ordinary methods of taxation. And the final test is the amount of revenue which can thus be earned, as compared with the yield of the alternative method of taxation. There is indeed no other source of revenue which yields a sum as large as that earned by the English Post Office under such moderate conditions. In no other case is the pressure so slight or the manner of the distribution of the burden so unexceptionable. And if we were seriously to consider the suppression of this profit and the substitution of some other form of taxation in order to

conciliate popular prejudice, we should be much puzzled to find a suitable alternative. We should surely not propose an increase in the income-tax, or in the duties on tea, beer, brandy, &c. But then—what?

It is a favourite custom to criticise all the existing sources of national revenue adversely by emphasising the special drawbacks attaching to each, but no statesman, and no one who feels in any way responsible for the conduct of public affairs, can afford to indulge in this facile criticism without at the same time pointing to some alternatives which are free from the disadvantages in question. This is the only fruitful sort of discussion, and the only form which deserves to be called scientific. It is therefore from this point of view that we must discuss the latest development of the Prussian Budget and the influence of the State-railway finance.

It is well known that soon after the foundation of the German Empire a scheme was mooted to transform all the railways of Germany into a single Imperial system. The tradition of the several German States had long been in favour of centralised systems of communication—each State already had its high-roads, canals, and railways under Government control. Moreover, the scheme represented the absolute ideal of a railway system, since in this, as in all other systems of transport, whatever makes for unity makes for success. The scheme was wrecked by the unwillingness of the smaller German States to accede to so thorough-going a form of centralisation, although, or perhaps precisely because, such centralisation would have been the logical outcome of Imperial unity.

The immediate consequence was the consolidation of the individual railway systems, which was a marked advance, especially in the larger States. A number of the most important Prussian lines were owned, not by the State, but by joint-stock companies. The majority of them belonged to the first period of railway construction—a time when for financial reasons the Prussian Constitution did not admit of the building of State lines. These railways were acquired by the Prussian Government in 1880 by an arrangement which was absolutely voluntary on both sides, and at a price which not only agreed with the market price, but even left the shareholders a considerable margin of profit.

The opponents of the nationalisation of railways are prone to contend that nationalisation spells ruin for the finances and the credit of a State, because the purchase of the lines requires enormous sums of capital or a disastrous resort to credit. This con-

tention is as old as the project of William Galt in 1843, and comes to the front again, after the manner of such arguments, at every opportunity. It did so in the Prussian Parliament about thirty years ago. Indeed, the Prussian Government was not at all disposed to urge the financial advantages of the scheme under consideration. It was always the interests of traffic, the economies likely to result from the working of the railways on a single unified plan, and the beneficial influence which governmental administration would exert on the tariffs, that were emphasised, while it was incidentally taken for granted that the net result for the finances of the State would be a loss rather than a profit on the undertaking.

The actual result was startlingly different. Since the year 1882 the revenue earned by the Prussian State railways has not only sufficed to pay the interest on the capital and wipe out the debt, but over and above this, has yielded a surplus which has remained at the disposal of the Government for other national expenses. The figure of this annual surplus has steadily increased from £1,000,000 in the years 1882-1887 to £23,000,000 in 1905, and in the Budget of 1907 it is estimated at £30,000,000 (591,000,000 marks). This amounts to very little less than three times the yield of the Prussian income-tax, or more than double the income and property-taxes taken together (£13,000,000). Yet these two are still the cardinal points of the Prussian fiscal system, and so long as the railway surplus played no very important part, i.e., until 1887, financiers were completely dependent on their productivity. The situation has been changed since 1890, when the railways began to contribute sums of from four to five millions to the national exchequer. Since then the figures have rapidly increased (in 1897 the surplus was ten millions), so that the grand total for the years 1882-1907 amounts to about £260,000,000.

This does not mean that the financial principles which now prevail are any different from those which the Government propounded thirty years ago in order to justify the nationalisation of the railways. The interests of traffic, which were so warmly and exclusively urged, as an argument in favour of the purchase of the railways, were not afterwards postponed to the interests of public finance. The Government remained loyal to its principles without *arrière pensée*, yet the above-mentioned favourable results were obtained:

It must, of course, be admitted that rigid adherence to the greatest-interest-of-the-traffic principle pointed to the return of the entire surplus earned by the railway to the consumer in the

shape of reduced fares. The point at issue, however, is not so much what shall be done with the surplus as why the surplus exists. To this question no certain answer has as yet been found; the solution is no easy matter and requires very minute researches into the facts to hand. In the meantime we can only resort to hypotheses, such as the advantages which a great railway system derives from a centralised administration, the superiority of Government control over the rule of the companies, or the enormous expansion of traffic in North Germany during the past twenty years. And we must keep in mind the fact that the Prussian railway administration has not by any means been one of narrow-minded parsimony. Considerable reductions have been made in the rates of travel, more especially in the goods traffic, and it is precisely and exclusively in this department that the surplus has been earned. A number of new lines have been constructed, which have diminished the net profit of the whole system; the rolling stock, &c., has been much improved, and new stations have been built, to the extraordinary magnificence of some of which no other country can produce a parallel.

To condemn the surplus—to regard it as a drawback to the nationalisation of the railways—springs from logical confusion. The surplus is certainly no disadvantage from the point of view of the national exchequer. It might be counted a disadvantage for the individual traveller, if we had any reason to believe that the companies would have supplied him with the same facilities at lower prices. No such reason exists. And in the absence of such proof, it is clearly more advantageous to the community that the profits deriving from the same scale of railway rates should find their way into the pockets of the taxpayers, rather than into the pockets of the shareholders. That the profits of the shareholders would have been forcibly reduced in favour of the public by any such agency as competition, public opinion, Act of Parliament, or what not, *i.e.*, that the shareholders would not have been allowed to enjoy the profit that now accrues to the State, is a supposition not in any way borne out by past experience. Whether the Pactolus of the railway profits may not, like winnings at games of chance, have encouraged the Prussian Parliament in reckless expenditure, is another question. But this, too, must be answered in the negative. The money has been expended on improved equipment for elementary education, on the Universities, museums, and public buildings; it has been utilised in the interests of science and art, or for raising the salaries of the numerous officials in the service of the State. It is true that this

expenditure would not have been incurred if the only means of meeting it had been an increase in taxation. The question at issue, then, reduces itself to this: Were these new objects of expenditure more important than a reduction of railway rates, or should the railway rates have been reduced first, the other expenses postponed until such time as the requisite funds could be raised by the imposition of fresh taxes? A definite proof of the point is naturally somewhat difficult. But in view of the increasing expansion of traffic on the Prussian lines, we are of the opinion that the course chosen was the correct one. There remains, however, one problem, of which we shall proceed to treat.

IV.

Everywhere, and more especially in Germany and England, national expenditure increases with irresistible might. The glamour of wealth, the progress of inventions, the awakening of new needs, the spread of these through the masses of the population, the entire progress of culture—all these agencies have combined to produce a host of new wants in which the economy of States and municipalities is very intimately concerned. The most important item of the expenditure side of the Budget, the upkeep of the Army and Navy, belongs to the Empire, and the individual German States are therefore relieved of this burden. It is all the more remarkable that the peaceful needs of the several States nevertheless continue to make increased demands on the resources of the exchequer. And there is no question regarding the nature of the objects for which these increasing financial sacrifices are exacted; far from earning the description of extravagance and folly, they are eminently serious and worthy of consideration. The only problem is what form the sacrifices shall take.

Prussia reformed her system of taxation in 1891–1893. The income-tax was made more productive by improved methods of assessment; the land-tax and house-tax were made over to the sphere of municipal taxation, while, on the other hand, a new property-tax was introduced by the State. It was categorically stated by the Government in power that this reform did not aim at raising the existing taxes, but only at making their distribution more equitable. Now the yield of the income-tax has more than doubled; nevertheless, the figures quoted above show that it has failed to keep pace with the national expenditure. The gap had to be filled by the railway surplus—and so the profits earned by the Government on one of its services were substituted for direct

taxation on a scale quite unprecedented in the history of finance. This substitution is undeniably a *pis-aller*, and the raising of the income and property-taxes would have been a sounder procedure. Still, when we reflect that to give up the railway profits and at the same time to keep up the figure of our national expenditure would involve a doubling or trebling of the income and property-taxes, we get some idea of the difficulties that beset the question. We have a close analogy in the case of the generous sums yielded by certain indirect imposts, the raising of which by direct taxation would be a matter of much difficulty.

This is so well recognised in Prussia that no one to-day would seriously suggest any alteration in the existing state of affairs. Nevertheless, we have now reached a point where the railway surplus will not admit of further levies, and any increase in expenditure can only be met by a rise in direct taxation. And this crisis is actually upon us, for Parliament has recently voted six and a half million sterling for the augmentation of the salaries of State officials, a sum equal to about one-half the yield of the income and property-taxes hitherto in force. To draw further on the railway profits would be inconsistent with sound public finance. Moreover, the occasion serves us as a timely reminder to choose a sounder mode of taxation than the one which has been in use for twenty years.

But what is sound? The circumstances which call for an increase in the national expenditure are characteristic and especially significant for the coming reform of taxation. It is proposed to increase the incomes of State officials in accordance with the raised standard of living which now prevails. Hundreds of thousands of families, whose heads earn from £100 to £500 a year in the service of the State, are to see their lot substantially improved. Is it fair to obtain the means for this improvement by the imposition of a new burden on the remaining citizens of the country whose incomes reach the same figure? And would it not be absolutely paradoxical to withdraw, by means of this new tax, a portion of their increased pay from the very persons whom we set out to benefit? There is only one way out of the dilemma, *i.e.*, to impose the new burden on incomes of over £500 only, by means of a progressive scale which taxes the larger incomes, those above £1,000, £2,000, and so forth, with increasing percentages.

The system which exists in Prussia at present takes its toll from all incomes of £45 and upwards. The minimum rate is $\frac{2}{3}$ per cent.; it rises to 3 per cent. on incomes of £450, and to a maximum of 4 per cent. on incomes of £5,000. A further pro-

perty-tax, amounting to $\frac{1}{2}$ per thousand on capitalised values, that is, a moderate additional tax on that part of income which is interest on capital and not remuneration of effort, was introduced in 1893. We should recommend a considerable rise in the two last-named taxes, first, on the grounds of bare justice and equity; secondly, as a method of equalising the indirect burden represented by the railway profits; and, lastly, as compensation for the undue weight with which all indirect Imperial taxation presses on the lower classes. This pressure, we may add, will be all the greater when the reforms, which our fiscal system calls for in the immediate future, have been consistently carried out.

The obstacle which lies across the path of any such reform in Prussian taxation is the predominant influence of the propertied classes in both Houses of Parliament. The only means of counter-acting this influence would be to reform the existing franchise, which would seem to have been constituted for the express purpose of protecting the interests of the propertied classes against the inroads of social justice.

It is no part of our purpose, however, to probe the future in this direction. We have examined the existing situation in order to show that it was the logical outcome of the peculiar development of the German administration. We have seen how the remarkable activities of the Government led to unexpected consequences in the realm of public finance. These point the way to future developments which may at any moment appear in other countries—even in those which are at present organised on very different lines. It was desired to show what unexpected results follow from an expansion in the sphere of government, because this expansion probably represents the typical development of all civilised States in the future.

GUSTAV COHN

APPRECIATION OF MATHEMATICAL THEORIES.—II.¹

CONTINUING my examination of mathematical theories contributed to the *ECONOMIC JOURNAL*, I come to Prof. S. J. Chapman's article on the "Remuneration of Employers."² Prof. Chapman takes up a question which has been agitated in recent economic literature,³ whether the remuneration of an employer is to be regarded as just equal to his final productivity in the same sense as the remuneration of the workman, or more generally the payment for a unit of any agent of production. He brushes away⁴ the more extreme statements of this analogy which would oblige us to suppose the entrepreneur's work capable of 'being bought by the piece, like an ordinary commodity. As I understand, Prof. Chapman rightly addresses himself to this issue: whether, if an additional employer is taken on, the total product of a society tends to be increased by an amount that is just equal to the normal remuneration of an employer. It is thus that the thesis has been conceived by one of its ablest supporters, Prof. T. N. Carver. "The law of marginal productivity," he says,⁵ "can be applied to the earnings of business management as well as to the wages of other labour. The amount which any individual business man can get by means of his superior management (not through his superior bargaining capacity⁶) depends upon the amount which he can add to the product of the community over and above the amount which it would produce without his help."

Assuming that there exists only one industry, and making other simplifications which are legitimate with reference to the extremely abstract proposition under consideration, Prof. Chap-

¹ See *ECONOMIC JOURNAL*, June, 1907.

² See *ECONOMIC JOURNAL*, December, 1906.

³ For a *résumé* of authorities and arguments see the present writer's article on "The Theory of Distribution" in the *Quarterly Journal of Economics*, 1904.

⁴ Chapman, *loc. cit.*, p. 528.

⁵ *The Distribution of Wealth*, p. 263. *Cp.* p. 262:—"That is the amount which the community is able to produce with his [the business man's] help over and above what it could produce without his help, and this is the only sense in which any factor can be said to be productive."

⁶ The parenthesis is explained by the remarks at p. 261.

man supposes z employers, each managing a firm in which there are x employes, the total number of employes in all the firms being constant, say c . The wage of an employe in any firm is the addition to the product of the firm which is made by taking on an additional employe; multiplying that final productivity by x , the number of employes in any firm, we obtain the total wages paid in any firm; subtracting the total wages from the product of the firm, we have (making a legitimate abstraction of other agents of production) the profits of an employer. Prof. Chapman investigates the question, whether if the number of employers be increased from z to $z+1$, the addition thus made to the total produce of all the firms will be just equal to the profits of an employer. He finds the new and remarkable result that this equation holds good, so long as we abstract the effect on the organisation of industry which may be produced by the introduction of an entrepreneur. It is a nice question how far, through what range of instances, it may be legitimate to neglect this effect. Prof. Chapman is no doubt right in treating the effect as not negligible in general. Distinguishing the cases in which an increase of entrepreneurs "raises or lowers the curve of marginal value of labour to employers,"¹ he finds that the statement in question exceeds or falls short of the truth, according as one or other of these cases prevails.

The proposition, then, is not in general true. It may still, however, be useful. In our ignorance whether it exceeds or falls short of the truth, the proposition may be treated as the most probable general statement; upon the principle of a *priori*—or unverified—probability² which was adduced in a preceding section.

¹ He uses the hard-worked terms "increasing and diminishing" returns to distinguish these cases. The use of these terms is apt to breed confusion, because, as I have elsewhere pointed out (ECONOMIC JOURNAL, vol. ix, p. 294, and references there given), there are two essentially different meanings, according as that which diminishes (or increases) is (1) the rate at which product increases with the increase of means, or (2) the product divided by the means, the share of a unit factor of production in the product. A further sub-division is formed by the distinction between (a) the cases in which there is only one species of means, and (b) the general case of several kinds of factors. The definition of 1b is not obtained by mere composition from the simple case of 1a; the character of a *maximum* which distinguishes diminishing returns now involves an additional condition. Likewise 2b differs from 2a in requiring a principle of distribution among the different factors.

Professor Chapman's use of the terms may be referred to the heading 2b.

² See ECONOMIC JOURNAL, vol. xvii, p. 227. The use of the term a *priori* is unhappy so far as it is employed to mean, not only, as here intended, probabilities established by general presumption, without specific experience, but also "antecedent" probabilities which enter into the investigation of causes (cp. Mill, *Logic*, Book III., ch. xviii). Probabilities which are a *priori* in the second of these senses are often, but not always, a *priori* in the first sense.

This sort of usefulness proves to be less than it appears to be at first sight, when, pushing the investigation up to first principles, we consider the labour market as a species of the general theory of exchange. The mathematical method of presenting this theory may, it is hoped, become more popular now that M. De Foville has recognised it by employing curves of Demand and Supply to explain the "mechanism of prices."¹ M. De Foville would certainly not have diverged from the literary method in which he excels, unless, in his authoritative judgment, the advantages of the technical expression had justified the departure from classical usage.

The Corn-market, M. De Foville's illustration, is not the only type of market to which curves of Supply and Demand are appropriate. They apply also to transactions in factors of production, such as the labour-market; and not only to "market value" in the sense of the term which refers to short periods, but also to "natural" or normal value, provided that the periods considered are not so long but that the dispositions, and "disponibilities" in M. De Foville's phrase, may be supposed constant.² We are to conceive two groups of dealers encountering each other, not once only, but from time to time, and ascertaining by repeated tentatives a rate of exchange at which a steady flow of trade is maintained.³ With respect to this kind of exchange we may say of the mathematical representation, in M. De Foville's words, "This image, purely symbolical though it is, is good to keep in mind, because it tells us clearly and decisively (*nettement*) that in a free market there is nothing arbitrary in the formation of the prices." That under stable conditions things tend to a definite level, is not the only lesson to be derived from the mathematical method. It is also employed to answer questions of this sort: If the conditions are disturbed in an assigned manner, in what direction will the level be altered? One example of such problems is afforded by the imposition of a tax; another example, by the addition of a new dealer on one side of the market—in the case before us a new entrepreneur put on the labour-market.

To start from first principles, let us suppose the market to consist of a set of dealers $X_1, X_2, \&c.$, on one side, and another set $Y_1, Y_2, \&c.$, on the other side; each X supplying commodity x in return for commodity y , and likewise each Y supplying com-

¹ In his last book, *La Monnaie*, p. 150.

² A conception favoured by the stability of averages.

³ Cp. *Quarterly Journal of Economics*, 1904, p. 187; referred to in a preceding section of the present paper (*ante*, p. 231).

modity y in return for x . The attainment of a determinate level at which exchange is maintained is explicable by two principles : (a) contract, and (b) competition.¹

(a) In virtue of the first principle, if any X deals exclusively with only one Y , they will agree to vary the terms on which they deal up to a limit at which further variation would cease to be advantageous to one or other of the parties.² Even if one X is not restricted to dealing with only one Y , a similar statement still remains true with respect to the *final increments* disposed of by each X and Y .

(b) Now let competition be introduced. Then, as M. De Foville has it, "we won't see (*on ne verra guère*) transactions concluded simultaneously on different bases. Why should Peter give up for twenty francs what Paul has just sold for twenty-five?" If each X is restricted to dealing with only one Y , and, conversely, the number of X 's and Y 's being equal, then the position of one X will be as good as that of another X , and likewise the positions of the Y 's will tend to equality. Yet the positions are not determinate.³

Now let us render competition perfect by removing this restriction. Then the conditions of equilibrium will no longer be satisfied by an indefinite number of arrangements. For in general it will be possible for a dealer of one type or the other, *e.g.*, an X , say X_r , to offer his commodity x in small parcels to several Y 's on such terms that not only each of these Y 's disposes of a parcel of his y to greater advantage than before, but also the position of X_r , as defined by the total quantity of x which he gives, and the total quantity of y which he receives in exchange, is bettered.⁴ This sort of disturbance will continue until an arrangement is reached in which every portion of x is exchanged for a portion of y at one and the same rate; a rate such that every X gets as much y as he is willing to purchase, and not more than he is willing to purchase, at that rate; and every Y is similarly satisfied.

This "symbolical image" is no doubt an artificially simplified

¹ Cp. *Mathematica & Psychics*, by the present writer.

² A point on the *contract-curve* relating to the two parties considered (*loc. cit.*).

³ If, for the sake of illustration, we suppose all the X 's to be of one type in respect of their dispositions or disponibilities, and likewise all the Y 's to be of one type (not the same as that of the X 's) then the system, which, under the supposition of the preceding paragraph consisted of a set of points on the *contract-curve* between an X and a Y is now reduced to a single point on the *contract-curve*. But that point is not determined without the condition of perfect competition, which is about to be introduced in the text.

⁴ The proof primarily applicable to the simple case may be extended to the general case.

representation of the actual processes by which a uniform rate of exchange comes to be determined. It is thus that, in a first view of the molecular theory of gases, the physicist is allowed to imagine a system of equal perfectly elastic spheres. If we are to compare our theory with the hypotheses of Mathematical Physics, we must admit that in the economic molecular theory there is wanting the cogency which is conferred by a nice adaptation of premisses to conclusions. . But it is worth considering whether our premisses, human motives evidenced by consciousness and sympathy, do not possess the character of a *vera causa* in a higher degree than the foundations of some received hypotheses as to the constitution of matter.

The conditions which determine the equilibrium of the market are indicated by the curves OP and OQ in the accompanying figure. These are Demand and Supply curves, but not of the kind proposed by Cournot and accredited by M. De Foville. They are, rather, of the kind proposed by Professor Marshall in an unpublished pamphlet referred to in his *Principles* and in Prof. Pantaleoni's *Principii*. In this, as in the more familiar system, one of the above elements represents the amount of a commodity supplied. But the other co-ordinate does not now represent a rate of exchange, but the amount supplied of another commodity. The explanation is most easily enunciated in the simple case in which one of the commodities, say y , is money.¹ Then any point, P , on the curve OPA indicates that Op , where p is the foot of the perpendicular let fall from P on OX , is the amount of x supplied by the X 's at a price which is equal to Pp divided by OP ; a price which is assigned by the angle POX .² The amount of x demanded by the Y 's at the same price is in O_r , where O_r is the foot of the perpendicular let fall from R on OX . Rr may be described as the amount of money supplied by the Y 's at the given price; and Pp as the amount of money demanded by the X 's at that price. The intersection of the curves indicates the terms at which Supply equals Demand.

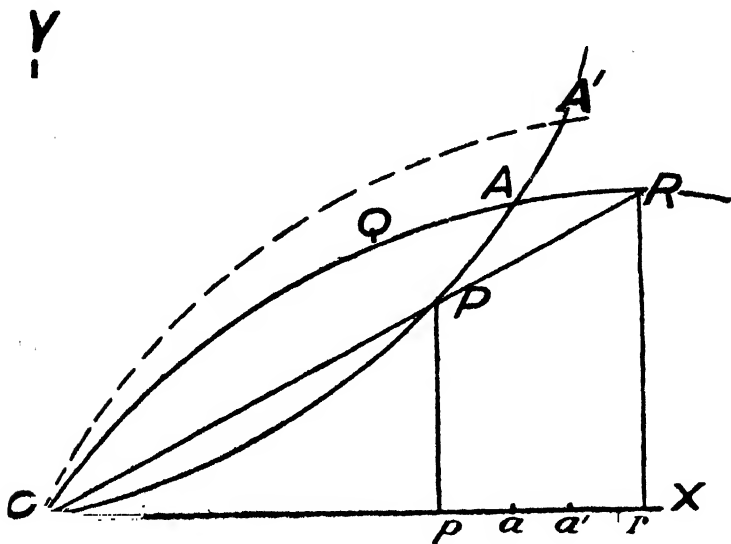
Now let us introduce the character of *Distribution*; let us suppose that the x offered by one party is work, and the y offered by the other party is wages paid out of product.³ The most general conception would include the case in which not only each employer employs several employés, but each employé is free to work for several employers. But with reference to modern in-

¹ According to the construction of Messrs. Auspitz and Lieben.

² Equal to the tangent of POX .

³ *Theory of Distribution* (*loc. cit.*), p. 161.

dustry, it seems proper to suppose that while each master employs several men, no man can serve two, or more, masters. The limitation does not impair the essential characteristics of a market, provided that the number of the employers continues to be large. But the limitation is not entirely inoperative. For, as I have elsewhere argued,¹ it is apt to obstruct the process by which



workmen competing against each other lower wages.² The incident seems to be of little practical importance, and to have no direct bearing on the question now at issue. But it may serve to render more conceivable the view which will presently be suggested: that between the position of the employé and the employer there may be an asymmetry to the disadvantage of the class usually supposed to be the most favoured—the employers.

Let us now disturb the equilibrium which we have contemplated, by introducing an additional employer. And at first let us abstract that effect on the organisation which Prof. Chapman has particularly considered. The abstract proposition which is found by his reasoning when that effect is neglected is now to be reconsidered. That reasoning appears to presuppose that not only the total number of workmen, but also the total quantity of work

¹ *Giornale degli Economisti*, 1891.

² Consider the analysis above given (p. 527). But observe that the number of *X*'s is there supposed to be equal to that of the *Y*'s. When each *Y* employs several *X*'s, the competition of these *X*'s against each other, the quasi-monopolistic position of the *Y* with whom they deal, no doubt neutralises the incident noticed in the text.

done, is constant. But in general this is not to be supposed. The raised offer on one side of the market is apt to be attended with an increased offer on the other side. In our figure, let OA' denote the curve pertaining to the employers, varied by the introduction of an additional employer. Then A' is the new position of equilibrium. Oa' where a' is the foot of a perpendicular (not shown in the figure) let fall from A' on OX is the new quantity of work supplied; greater than the old quantity Oa . To be sure, the curve pertaining to the employes might be shaped so that Oa' would be less than Oa . But there is some reason to think that the shape represented in the figure is the more probable and typical. At any rate there is no presumption that OA' is equal to Oa .

The same result may be shown by way of symbols. The product of each firm is now to be regarded as a function, not only of x the number of employes, but also of e the average amount of work which they put forth, an average which may be supposed the same for each firm. The work put forth by each employe is subject to the condition that the final disutility to him of the work is equal to the final utility to him of the remuneration. Whence it follows—account being taken of the maximum condition on the part of the entrepreneur to which production is subject—that the total output of work is determined as a function of z , the number of entrepreneurs, and x the number of employes in each firm. Now the product of these two numbers is by hypothesis constant. Whence it is deducible that the total product (and likewise the remuneration of each employer) involves z , not only as before explicitly, but also implicitly in that E and e are functions of z . Accordingly, when the number of employers is varied from z to $z+1$, the quantities which we have to compare receive not only the variation which was before considered, but also one due to the variation of the average work. The effect on the entrepreneur's remuneration may be neglected. But the effect on the increase of the total product is not to be neglected. That increase is now greater or less than before appeared according as the average amount of work increases or decreases with the increased number of employers. With reference to modern industry there seems to be some ground for assuming that the increased offer of the employers would evoke greater energy on the part of the employes.¹ Accordingly the remuneration of the employer is less than it should be according to the theory under consideration.

If the assumption is not admitted, the theory is not indeed

¹ Cp. Marshall, *Principles of Economics*, Book VI., ch. ii., § 3, ed. 4.

shown to be false. But it is shown to be more uncertain than at first appeared when we took account only of the uncertainty considered by Prof. Chapman. If it is still the most probable statement, yet it is less probable than appeared; less useful as a typical mean of possible cases.

It may be added that even if the theorem were accurately true, it would be practically unimportant. This may be shown by considering a case in which Prof. Chapman's abstract reasoning holds good without qualification. Let the entrepreneurs be cottiers, renting a homogeneous tract of land limited in extent. If an additional entrepreneur is introduced, the addition to the total product is found by parity of reasoning to be exactly¹ equal to the remuneration of an entrepreneur. But what of that? Where is the consolation to the cottiers whose complaint is that their share of the product is so small, that "this principle of remuneration is in itself an injustice."²

So it is no *eirenicon* between employers and employed to affirm that, according to the definition of Prof. J. B. Clark, "every workman gets the product of his work." He is not thereby deterred from desiring more than what is his product according to that definition. "You may call it what you please provided you hand it over," the Socialists would say, as Mr. Cannan happily observes.³

On the whole I see no reason to modify the opinion that the theorem in question is neither true nor important. If it could have been saved, it would have been by the more abstract part of Professor Chapman's brilliant reasoning.

F. Y. EDGEWORTH

¹ That is to within quantities which are negligible.

² Mill, *Pol. Econ.*, Book II, ch. i, § 4.

³ *Quarterly Journal of Economics*, "The Division of Income," May, 1905.

(To be continued)

REVIEWS

The Principles of Economics. Vol. I. By Prof. Alfred Marshall.
Fifth Edition. (Macmillan and Co.) Pp. 870.

THE editor of the ECONOMIC JOURNAL has honoured me with an invitation to review the fifth edition of the first volume of Prof. Marshall's *Principles of Economics*. *Hujus addictus jurare in verba magistri*, I am suspect as an advocate against objectors, and unfitted for the task of criticism. But, one thing a pupil of Prof. Marshall may be able to do which could not be done so easily by anyone occupying a more detached position. In a work at once covering so wide a range of detail, and delving so deeply into principles—more particularly when that work consists of "foundations" only, upon which the superstructure has still to be reared—it is easy to misconceive the central idea and to miss the organic unity of the whole. From this kind of misinterpretation, and the consequent misapplication of his doctrines, one who has been taught by Prof. Marshall himself as well as by his writings *ought* at least to be free. He ought to be able to indicate the broad significance of this latest presentation of those doctrines and the relation in which the new material that has been incorporated stands towards the old. Something of this kind I shall endeavour, not without trembling, to accomplish.

The alterations which have been introduced into the present edition are considerable. In the course of an interesting preface of ten pages their scope is explained. Many of them are concerned with arrangement, "some discussions, which had already been indicated as not essential to the main drift of the volume, being transferred to Appendices" (Preface, p. xv.). Others have reference to small points and technical difficulties of analysis. The most important, however, are (1) the remodelling of Chapters VIII. to XI. of Book V. on *Marginal Costs in Relation to Values*, (2) the inclusion of a new Appendix G on *The Incidence of Local Rates*, and (3) the inclusion of a largely new Chapter XIII. of Book VI. on *Progress in Relation to the Standards of Life*. It

is upon this last threefold group of alterations that I desire to concentrate attention. For they stand in intimate relation to two of Prof. Marshall's conceptions, which, while absolutely fundamental, have, in the view of their author, been misunderstood by important writers in England and America; I mean the conceptions of the rôle played in Economics by Time, and by the National Dividend. These two conceptions cannot, of course, be separated in actuality, since the National Dividend is incident to Time. In strictness they represent transverse threads of thought closely interwoven. Nevertheless, I shall claim the right to that much of "abstractness" which will allow them to be separated in discussion.

Prof. Marshall's treatment of Time is, from some points of view, his most original contribution to scientific thought. Whereas the general idea of the National Dividend, apart from Time, was present in a vital, if relatively undeveloped, form to the mind of Adam Smith and his illustrious successors, the difficulties connected with Time were left by them almost wholly untouched. In the one case Prof. Marshall has broadened and levelled a road already traced; in the other, he has broken ground that was practically new. It is for this reason, probably, that his doctrines concerning Time have been misunderstood by many hasty writers—Prof. Fetter, for example—and that he has found it necessary in successive editions to take extreme pains over their exposition. In his volume as it now stands, Book V. Chapters VIII. to XI. have been entirely recast with a view to greater lucidity, and their bearing upon practical problems has been displayed by the inclusion of the new Appendix G—largely based on the author's Memorandum to the Royal Commission—upon *The Incidence of Local Rates*. They contain a sustained argument for "the central doctrine that interest on free capital, quasi-rent on old investments of capital, shade into one another gradually, even the rent of land being not a thing by itself, but the leading species of a large genus" (p. 421); and they explain by abundant illustration the intimate dependence of the continuity thus traced upon the parallel continuity characteristic of the great variable, Time. In this way they render the fundamental and difficult doctrines of rent and quasi-rent thoroughly conspicuous.

Prof. Marshall's work upon the *National Dividend*, though different in character, is perhaps even more important than his work on *Time*. To discuss it in detail within the limits of a review is, of course, impracticable. There is one point only which I should like to make. *The conception of the National*

Dividend is not an academic toy, but a practical instrument of great power designed for service in the concrete solution of social problems. The unavoidable but regrettable delay in the appearance of Prof. Marshall's second volume has obscured this fact. The purpose of the difficult analysis of Books V. and VI., to be fully understood, needs to be regarded in the light of its application. By means of the new matter introduced into Book VI., Chapter XIII., the workshop door is opened a little further than in the earlier editions, and Prof. Marshall's engine is seen actually engaged upon some of the tasks for which it was made. The earlier discussion of the effects of various forms of Labour policy is considerably developed, a caution being incidentally introduced (p. 705) against the perverse idea of Mr. and Mrs. Webb that the "marginal labourer" means "that worker who is so inefficient that the employer can barely be induced to employ him at all." The National Dividend—the flow of economic goods and services made available during the year—is the centre of the whole of this reasoning. Itself a means, it serves, in fact, as a nucleus to which ends cohere, and in analysis, as a focus capable of concentrating together all discussion of economic forces and activities.

Thus, it is urged that the question whether any Trade Union policy is anti-social cannot be answered till we know how the dividend is likely to be affected by it. The attitude which the State should adopt towards poor persons, and particularly towards poor children, is brought to the same test. Nor is this all. Prof. Marshall's engine is turned upon the problems of Collectivism, and at once cuts a way to a plane of thought lying much deeper than those on which discussion of these problems usually proceeds. "Starting from the fact that the growth of the National Dividend depends on the continued progress of invention and the accumulation of superior appliances for production, we are bound to reflect that up to the present time nearly all of the innumerable inventions that have given us our command over Nature have been made by independent workers, and that the contributions from Government officials all the world over has been relatively small" (p. 712). Many of us, whether or not we will confess it, had, I suspect, imagined that the problem of collective *versus* private ownership turned, as regards this aspect of it, simply on the relative efficiency of management, and had not even asked ourselves the question which of the two systems would be likely to prove the more fruitful of ideas. It is by patient concentration upon the activities underlying the

National Dividend that deeper issues of this order are brought to light. The dividend constitutes the kernel of economic theory because—along with those moral and other aspects of practical problems which Prof. Marshall would be the last to neglect—it is the centre of sound philanthropic endeavour. It is to an analysis of this that we are driven when, throwing off the moral torpor of indolent optimism, we refuse, “with our modern resources and knowledge, to look contentedly at the continued destruction of all that is worth having in multitudes of human lives,” and demand from social science guidance to social reform.

A. C. PIGOU

The Woollen and Worsted Industries. By J. H. CLAPHAM.
(London: Methuen and Co. Pp. xii. + 307.)

PROF. CLAPHAM'S work will be especially welcome to those who are feeling their way to a realistic industrial morphology. It is a sketch rather than a finished picture; but a sketch the lines of which are drawn firmly and artistically in proper proportion and with the right emphasis. It is to be hoped that it will stimulate more research upon such material as still awaits complete examination. The volume before us is concerned entirely with existing facts, except that history is invoked occasionally when it throws an obvious light on the present situation. In Chapter I., the prime aim of which is to aid understanding of the more specifically economic topics which follow, the mechanical processes of manufacture are outlined. Chapter II. is devoted to the raw materials and the trade in them. We learn that the importance of the London auctions is declining, and that the seat of primary sale of wool not home-grown has shifted somewhat to the sources of supply, with the result that the bulk of foreign purchases of English Colonial wool are not now effected on the London market. But there are no signs as yet of “futures” in wool appearing, though recourse is had in the West Riding to deferred deliveries—a natural origin of technical “futures” or terminal dealings—by traders in “tops” (the name given to wool combed ready for spinning), and already in certain Continental top markets “terminal dealings,” properly so-called, have emerged. Students of markets would have been grateful for some information upon the organisation of top markets abroad; also for the calculation of some indices of price steadiness in these markets. The latter would be of practical value in affording guidance to those upon

whose decision the further development of the English top market rests. It might even be worth while to calculate indices of price steadiness as regards tops abroad and in England. Telegraphic connection would, of course, hold the two sets of movements in correlation to some extent, but cost of transport and import duties would enable some independent movements to appear. Prof. Clapham thinks that "price fluctuations in the organised Continental markets are not greater than those in the unorganised market at Bradford" (p. 115), but he is not prepared to commit himself to the statement that they are less. Why, we may ask, are "Futures" evolving in tops and not in wool? *A priori* one would have expected them earlier in wool. It is, at first blush, as if futures arose in bread before they were known in wheat. The nearer the commodity to the producer's end in the production-consumption process the fewer are its varieties, the more easily is it graded, and the more possible, therefore, is a system of dealings extending into the future. The solution of the puzzle may be partly the vital importance of inspection prior to the purchase of wool (p. 93), but is not the inspection of tops equally requisite? Probably the ultimate cause is that the dealer in wool gets it combed on commission, and sells as a rule tops and not wool—"the merchants who merely buy, sort, and sell have become scarce" (p. 111). "Futures" tend to arise to enable dealers to hedge against the risks involved in the deferred-delivery contracts which they are driven into making with spinners by the trend of events, whereby price risks are disposed to roll on to dealers. Such contracts are in tops in the worsted industry, and in raw cotton in the cotton industry. But the puzzle is not quite cleared up by these considerations, for the question remains, Why is combing done usually on commission? Does this system mark a transition stage, as it did in the cotton industry? or, as a matter of fact, is the industry of combing of such a kind that it is prosecuted to the most advantage on a small scale, so that the rising practical man, trained to supervise detail minutely, who is as a rule possessed of little capital, can undertake it with the greatest prospects of success? Prof. Clapham has much to tell bearing upon this question, but as the answer, so far as it can be framed, is not simple, the reader must be referred for enlightenment to the book itself. In dwelling at such length upon marketing conditions we have thrown this review somewhat out of proportion, but the matters treated in the volume before us are so numerous that it is impossible to notice all of them adequately. We may mention among the other topics included under the heading of

"the raw materials and the trade in them," the origin of the different classes of wool, a comparison in respect of advantages between English and other methods of sheep-farming, changes in ports of receipt, the marketing of English wool, and the activities of the functionaries engaged in passing the wool from growers to manufacturers.

Passing on to industrial organisation, we find ourselves in a no less attractive field. Prof. Clapham wisely warns us at the outset that "any industry the organisation of which is simple and rigid has either arrived at an uncommon state of perfection or is in danger of decay." Yet tendencies may be discoverable even though they be hidden in a medley of intermixed effects. In the cotton industry they are clearly defined. In the woollen and worsted industries, however, greater diversity of arrangement confronts us—"the wool-working trades are most emphatically neither simple nor uniform" (p. 128). Undoubtedly, as our author suggests, two of the causes are "the variety and intricate structure of the goods produced" (p. 126); and "the very gradual way in which the factory system has conquered the various branches of the industry" (p. 129). Probably another cause, which partially explains the latter, is the slow growth of the industry of late years, which would naturally obscure the operation of tendencies. Specialisation of districts is apparent, the woollen industry being the more scattered, but "the lines which divide the various sections of the trade are seldom quite clearly drawn" (p. 127). There is great diversity again in respect of the scale of production and the scope of commission work, but Prof. Clapham seems to hold that the small employer's sphere of action gets narrower every year. Yet certain uniformities seem to be observable. "The scale of operation in woollen is generally smaller than in worsted and . . . specialisation has gone much further in worsted than in woollen" (p. 131). In worsted, spinning and weaving tend broadly to be separated, whereas in the sister branch of the industry they tend to be united, and customarily in conjunction with every process from opening the new wool or raw wool to dyeing—when the fabric is pieced-dyed—and finishing. In some cases the ragwool itself is made on the premises. But to these generalisations exceptions are exceedingly numerous. The main causes of differentiation in the worsted branch and its absence in the woollen branch seem clear from the analysis on pages 140-154. Limitations of space prevent its repetition here.

The remainder of the book must be only scantily noticed.

Under the heading of labour in the industries Prof. Clapham deals with the division between men's work and women's work, which is fairly well marked; the quality of the labour and degree of regularity of employment; wages, upon which question he has collected some statistical evidence first-hand; and Trade Unionism, which, in the West Riding, is feeble in the extreme. In 1904, out of 260,000 operatives, nearly 200,000 of whom were eighteen and over, less than 8,000 were members of Trade Unions. The explanation is as likely to be psychological as economic, as our author says. The weakness of unionism means, of course, less uniformity in rates and methods of paying wages than is found, say, in the neighbouring textile industry of Lancashire. Chapter VI., on the industry abroad, is necessarily sketchy. I must pass it over here, except to notice that in the wool-working trades, as well as in the cotton trade, the industrial specialism which follows the dividing lines between distinguishable processes in manufacture is far less noticeable in the United States than in England. The inconveniences caused in America by the great distances between some of the factories and marketing centres (by the commercial activities at which alone can a differentiated industry be held together as a unity) no doubt account for this to some extent. Probably there is no lack in America of the specialism of businesses according to their products—that is to say, the big American factories, which in the worsted branch are all round the largest in the world, may turn out a relatively narrow range of products. Finally, in Chapter VII. the state of our foreign trade is scientifically described. The interest aroused by Prof. Clapham's treatment of his subject must be my excuse for so lengthy a review.

S. J. CHAPMAN

Sweated Industry. By CLEMENTINA BLACK. (London: Duckworth and Co., 1907. Pp. xxiv. + 281. 3s. 6d. net.)

In this work, the ripe fruit of nearly twenty years' experience of industrial problems, Miss Clementina Black gives a fairly wide and most interesting survey of the field of "sweated" or under-paid labour. Sweating is defined in a wide sense. The "sweater" is "the employer who cuts down wages below the level of decent subsistence, works his operatives for excessive hours, or compels them to toil under insanitary conditions." A description of the conditions of work and rates of pay in various sweated industries

is followed by a discussion of the degree of success attained by different remedial measures, whether by the extension of the sphere of the Factory Acts, or by the action of Trade Unions. A critical examination of some "supposed remedies"—emigration, thrift, and Consumers' Leagues—leads up to a vigorous presentation of the argument in support of a minimum wage law.

In the descriptive parts of the work Miss Black writes with unquestionable authority. Her chapters on the home workers; the workers in factories and workshops; shop assistants, clerks, and waitresses; traffic workers; and, finally, wage-earning children, are each and all replete with information as to the actual conditions of work and rates of pay of the victims of the "sweater." These chapters form indeed a very useful supplement to Mr. and Mrs. Webb's *Industrial Democracy*.

By the citation of actual instances culled from her own experience and that of other investigators, Miss Black makes it abundantly clear that in the unregulated industries, where there are no effective Trade Unions, and to which either the Factory Acts do not extend or in which evasion of their provisions is possible, the rates of wages are in general so low as to constitute these industries "parasitic." The conditions of work, too, especially in the case of the home worker, are a danger, not only to the workers themselves, but to the community in general. These evils, moreover, are not the result of the production of low-priced goods. "Sweated" goods are not necessarily low-priced. The taint of the sweater is everywhere. "Much of the work produced by the underpaid is sold at a good price to the well-to-do. On the other hand, under a well-organised factory system, goods that are sold at a very low price are sometimes produced by workers receiving comparatively high wages." Nor is the evil of "sweating" confined to this country. It appears wherever industry "is not either highly organised or else stringently regulated by law."

In her interesting chapter on "How Underpayment Comes," Miss Black is on less certain ground. Wages, it is there maintained, are determined by relative needs, not by efficiency. Now it will be conceded that the relative rate of wages of any particular class depends on its relative bargaining strength, and assuredly the bargaining power of the "sweated" worker is weak. But just as the general rate of wages depends partly on the productiveness of industry and partly on the bargaining strength of labour as a whole, so the rate of wages of any particular class is affected by its efficiency as well as by its bargaining power.

Again, in dealing with Labour as a commodity, Miss Black

maintains that the inevitable consequences of free competition are "impoverishment of the seller, deterioration of the product, and increase of human misery." It would, however, seem more correct to attribute these evils, not to free competition, but to the fact that competition is *not free*. Free competition implies mobility of labour, and that is precisely what is wanting here. The labourer, as Professor Marshall says, is often at a disadvantage in bargaining. He is commonly poor, and has no reserve fund, and so cannot hold out for his price. Hence the need of State regulation in the shape of Truck Acts, Factory Acts, &c. And the need is greatest in the case of unskilled workers and women, among whom effective Trade Unions are difficult to form.

The grounds of legal intervention, as Miss Black observes, have always been moral, "but the results have been, not only morally but also economically, of immense national benefit." The Lancashire cotton trade is the standing example of the advantages of regulation. The industry is the most efficient of its kind in the world. The English cotton manufacturer need fear no foreign competitor; and this pre-eminence is ascribed by Miss Black, following Mr. Sidney Webb, to the fact that "the good conditions enforced by law and the comparatively high wage enforced by the Trade Unions combine to create for him the most efficient body of cotton workers in the world."

But there are industries, especially those carried on by home workers, from which sweating cannot be so readily displaced by Trade Union action, and to which the provisions of the Factory Acts have not as yet been effectively extended. To meet the difficulty here Miss Black advocates the adoption of a legal minimum wage, somewhat on the lines of that adopted in New Zealand. No one can rise from a perusal of Miss Black's work without recognising the gravity of the evil and the pressing need of reform. But it is one thing to agree on the desirableness of a given end, and quite another to agree as to the best means of its attainment. It would be out of place here to discuss the arguments for and against a minimum wage law, but it may be remarked that, whether we take it in its Victorian, or, as Miss Black prefers, in its New Zealand form, its success, even under the simple economic conditions prevailing in Australasia, is as yet by no means assured. And the economic conditions of this country are vastly more complex. To us it appears that if the economic history of England teaches anything it is the futility of legislative attempts to directly regulate money wages without altering the economic conditions by which they are determined.

It is too early yet to give up hope that the gradual extension of the Factory Acts so as to bring the home worker effectively within their scope will succeed in bringing about such improved conditions of housing and sanitation as will afford a basis on which Trade Unionism can operate to raise the standard of life and the rate of wages.

ARCH. B. CLARK

From Serfdom to Socialism. By J. KEIR HARDIE, M.P.
(London: George Allen, 1907. Pp. ix. + 105. 1s. net.)

THIS little book is Mr. Keir Hardie's contribution to the *Labour Ideal Series*—a series the object of which, as the publisher's note informs us, is "to put clearly before the public a complete conspectus of the present policy of the English Socialists and the Independent Labour Party." Mr. Hardie, in his "Foreword," disclaims the intention to write "an elaborate disquisition on the historical basis of Socialism, or to embody its economic theories and principles in a learned treatise." His work is merely "a brief unadorned statement of the case for Socialism, easily understandable by plain folk," written, as he informs us, "literally in the odd half-hours of a busy period in a life crowded with work." As such, therefore, it must be judged.

There can be no question as to the attractive qualities of Mr. Keir Hardie's literary style, or the superficial persuasiveness of his argument. But this latter quality, it seems to us, is gained only by so adjusting the light and shade as to render it easy to ignore some inconvenient historical facts and economic principles.

Mr. Keir Hardie makes light of those who insist on raising difficulties on points of detail, and whose attitude, he says, "is that of the man who could not see the wood for the trees." Our own fundamental objection to his work is that it is all wood and no trees. At all events their outlines are vague and ill-defined. But the plain man to whom he appeals will insist on putting questions till the outlines become clearer and the trees begin to look a little more real and lifelike.

Socialists, Mr. Keir Hardie tells us, seek the same end as Individualists like Herbert Spencer, namely, the freedom of the individual. They differ only as to method (p. 3). But the plain man distrusts that freedom of the individual which is to be secured through the despotic authority of the Socialist State, and may take leave to doubt Mr. Keir Hardie's dictum that "Socialism and

freedom 'gang thegither.' " Again, we are told that the State in its present form is primarily concerned with the preservation of the rights of property (p. 8). And of Individualists Mr. Hardie asks : " If the poor are to be left to struggle for existence unaided by the State, then why not the rich ? " (p. 4). But, apart from the objection which may be legitimately taken to this rigid division of society into rich and poor, our author may be invited to consider in his next work whether, in giving security to property, the State is not taking the most obvious means of guaranteeing to the poor the fruits of their toil, and whether it is not the poor whom history shows to have suffered most grievously in times of turbulence and insecurity.

Economists are accustomed to recognise a vital distinction between the gifts of nature, on the one hand, and the fruits of labour and saving, on the other. Mr. Hardie, however, is satisfied that just as the land would remain were the landlord abolished, so would the capital remain were the capitalist abolished (pp. 11-12). The distinction, nevertheless, is fundamental, as is that between the natural and acquired qualities of the land itself ; and of this distinction any exposition of Socialism must take account. Well may Mr. Keir Hardie write : " With the speculative side of Socialism the average man with us has but small concern ; it is its common-sense which appeals to him " (p. 34). Incidentally a protest may be entered here against our author's too frequent use of question-begging epithets. The capitalist is " a parasite " (p. 5). The pursuit of self-interest is " Mammonism " (p. 22), and the " gospel of Selfishness " (p. 34), and so on.

Mr. Keir Hardie more than once refers to John Stuart Mill's doubt whether mechanical invention had lightened the day's toil of any human being (pp. 48, 99). And he goes on to say : " The social investigator of the twentieth century is prepared to affirm positively that the lot of the poor in normal times under Capitalism is worse than it ever could have been in normal times in any previous period in British history " (pp. 48-9). If for " social " we read " Socialist," the statement may be accepted. Otherwise, it is emphatically contradicted by every recent authority.

This leads us to note that Mr. Keir Hardie's economic history is throughout in very great need of revision. It is possible to notice here only a few examples. He speaks of the Mediæval Gilds as " originally the equivalent of our modern Trade Unions " (pp. 18, 46). He cites once again that opinion of Thorold Rogers, which has done duty in so many Socialist speeches and pamphlets, that " the fifteenth century and first quarter of the sixteenth "

was "the golden age of the English labourer" (pp. 45-6, *cf.* p. 80). Mr. Hardie strangely overlooks the fact that more recent writers, *e.g.*, Dr. Cunningham, have shown that this view is untenable, and that, however valuable Thorold Rogers's statistics may be, his deductions from them are to be received with caution. Similarly Mr. Hardie, again following Rogers, attributes the degradation of labour in England partly to the Tudor debasement of the coinage, which he speaks of as having doubled and quadrupled the price of food, ignoring altogether the restoration of the coinage by Elizabeth, and the influence on prices of the great silver discoveries of the sixteenth century (p. 47).

Finally, Mr. Hardie finds the cause of the downfall of Rome in the abandonment of Communism and the growth of Capitalist Individualism. But a deeper study of history may serve to convince our author that the scarcity of money, and the enforced return to that ideal of the Socialist, a natural economy, together with over-organisation and consequent inefficient government and the growth of taxation, were not unimportant causes in bringing about the ruin of the Roman Empire.

Mr. Keir Hardie appends to his work a long list of quotations from writers on Socialism, and a useful bibliography, to which, however, we would suggest the addition of Dr. Cunningham's *Growth of English Industry and Commerce*, and Denton's *England in the Fifteenth Century*.

ARCH. B. CLARK

The Socialist and the City. By FREDERICK W. JOWETT.
(London: George Allen. Pp. 88. Price 1s.)

MR. JOWETT, the author of this little volume, is among the more thoughtful of the Independent Labour group in the House of Commons. His book is an eminently sane one, distinguished by moderation and a sense of the possibilities of the situation. He does not aim at setting before his readers a picture of some ideal Utopia. He is dealing with questions of immediate importance, and aims at supplying the Socialist who has obtained a seat on a town council with a practicable programme. Indeed, so far as the greater portion of his proposals is concerned, he would find few points of difference between himself and others eager for social reform. He feels, and feels rightly, that if Socialism is ever to become a working force, it must descend to mother earth after forsaking its haunts upon the cloud-wrapped mountains of an

idealised community. Few members of a town council are more ineffective than is the ordinary Socialist member. He is deeply conscious of the evils that disfigure the life of a town; he has been accustomed to denounce at street corners certain classes as responsible for the wrong-doing; and he repeats in the council chamber his denunciations and his pathetic descriptions of unmerited suffering, provoking at first sympathy, then bewilderment, and finally weariness. But, from lack of knowledge and inability to precipitate the desires of his heart into practicable measures, he as often as not ends his term of office without being able to single out any tangible result of his influence.

To such a Socialist Mr. Jowett's book will be of real value. It tells him in simple language what he ought to ask for, and why and how he ought to ask for it. The author explains how municipal improvements, whether in the shape of wider streets, increased parks, or improved means of locomotion, all put money into the pockets of the landowner; and he enlarges on the importance of the town council keeping in its own hands the land it already possesses, and acquiring additional land when favourable opportunities come round. Public authorities are, however, compelled to pay exorbitant prices, and the present methods of purchase need reform. He would give them power to buy land at a figure determined by its rateable value, allowing the owner to appeal if he considered the assessment too low.

Another land reform which he advocates is the rating of sites at their full value, in part for the additional income it will yield, but mainly because it will lower the price by bringing more land into the market. When met with the objection that this will entail overcrowding the city with buildings, he replies that he would adopt the German policy of "town planning," which rigidly limits the number of houses on any particular area. He argues, as is often argued by others, that this restriction on the use of land would lower the price of land; in consequence the price of building sites would be diminished. This is not altogether correct. No doubt it is true that, if we allow only a hundred people to the acre in a district where there would otherwise have been two hundred, we lower the value of land per acre, but we do not necessarily lower the price per site, as we at the same time reduce the number of possible sites by one-half.

To relieve the overburdened ratepayer Mr. Jowett would follow the German practice of a municipal income-tax. "The city of Berlin is said to raise an annual sum equal to over a million pounds sterling" in this manner.

On the question of municipal trading he writes that "the Socialist view of the fair way of dealing with profits on trading concerns is to have none—if one may be excused so paradoxical a statement. Fair wages and good conditions generally for the employés, and selling at cost, so that all may use freely the commodity or service, is the nearest approach to justice in respect to such municipal concerns as are incapable of being used with equal freedom by all." Owing, however, to the exigencies of public opinion, he would allow some profit to be made out of municipal undertakings. He would object to free trams, because "it is impossible to provide a tramway service so adjusted to the requirements of a large town as to give equal facilities to all." The adoption of this principle of "equal facilities" is a dangerous one, as it would prohibit free parks and open spaces for games.

In education, following Ruskin, he tells us we must forget our money and every material interest. The school meal, not on the vicious principle of picking and choosing, but offered to all as part of the daily curriculum, medical inspection and medical treatment, added to easy access to all grades of education—these are among his chief proposals. Curiously enough, in one so generally well informed, he adheres to the idea of the common school, through which all should pass. The whole trend of education has been in the direction of proving that we want, not one type of elementary school, but at least a dozen, varying with the capacity of the child and the demands of the parents. Under a completely socialistic régime, there is no reason why we should not have many kinds of school, some with fees and some without. Socialism, as distinguished from communism, does not prescribe uniformity. A Socialist should no more advocate the common school than he should champion the common dress. A Socialist State would allow a parent to spend more on dress and less on amusements if he thought fit, least of all would it forbid him to limit his expenditure on education because he would thereby have less money to use in the purchase of, let us say, tobacco.

R. A. BRAY

State Railways—Object-lessons from Other Lands. by EDWIN A. PRATT. (P. S. King and Son, 1907. Pp. 107. Price 1s.)

It is clearly impossible to treat adequately such a controversial subject as the State ownership and management of railways in a book of this size, and Mr. Pratt makes no attempt to discuss

the problem on a broad basis. Half the book is occupied with a translation of an article published in 1896 by M. Marcel Peschaud on the Belgian State Railways. That article constitutes a serious indictment of the Belgian State Railway management, an indictment which the events of the past ten years have shown to be not undeserved.

The portion of the book directly attributable to Mr. Pratt may be divided into two parts. First, he compares the state of affairs in Belgium with the conditions prevailing on British railways, and then he proceeds to notice various unsatisfactory features noticeable in different parts of the world where railways are under State management. It is exceedingly probable that an advocate of State railway management could cull as many object-lessons from railways under private management, if he took an equally wide range. Still, in collecting so many instances of unsatisfactory results discovered where railways are under State management, Mr. Pratt has certainly shown that State management is not the panacea for all ills some people would have us believe. The most valuable lesson, however, to be learnt from his work is that, if State ownership and management of railways is to have a reasonable chance of success, freedom from political influence is an essential condition.

In dealing with Belgium, Mr. Pratt has adopted a very doubtful premiss. He writes: "If State ownership is likely to prove an unqualified success in any land . . . Belgium is the one. . ." The compactness of the country, the dense population, and the well-developed condition of industries and agriculture, combined with the geographical position and physical features of the country, are the reasons put forward in support of his view. Surely the correct conclusion to be drawn from these facts is that the railways will have short hauls and small consignments. A reference to the annual statistics of the Belgian State Railways confirms this view. The working is therefore likely to be very complex, and satisfactory results under State management are more likely to be achieved where the working is simple, *i.e.*, with large consignments and a reasonable length of haul.

The book is a useful reminder that no adequate treatise exists on the subject of nationalisation of railways, and it may serve as a guide-post to any student wishing to investigate the subject.

W. T. STEPHENSON

A History of William Paterson and the Darien Company. By JAMES SAMUEL BARBOUR. (Edinburgh : Blackwood, 1907. Pp. viii. + 284.)

MR. BARBOUR is to be congratulated on the happy combination of two very diverse characteristics in this volume, namely, the giving his narrative a strong biographical interest, while at the same time he pays strict attention to the financial details which cannot be ignored in any adequate treatment of the Darien Company. The former trait enables the story of the ill-fated venture to be told with a due connection between the different episodes, while the latter accounts for the fact that the history proper does not exceed 150 pp.

The story is one which contains much of tragedy, since its main thread is the contrast between the high hopes of the stockholders and the inevitable fate that confounded all their efforts. Indeed, the expectation of a Scottish colonial empire had been made impossible before any capital had been taken up in Scotland. Mr. Barbour points out, though perhaps more importance might have been given to this aspect of the inception of the undertaking, that one influence towards its foundation was the struggle against the London East India Company. During the boom from 1692 to 1695 there had been a progression in the speculations favoured—first, treasure-seeking, next home manufactures, then (by a strange collocation) “lotteries and banking,” and finally interloping—as it was from the latter that the Darien scheme arose (cf. *Some Considerations on the late Act of the Parliament of Scotland for Constituting an Indian Company*, 1695). How incongruous this spirit was with that of Paterson or again with Scottish patriotism, may readily be imagined. The action of the English Parliament prevented Scotland from being used as a pawn in what was in reality a purely English struggle; but, at the same time, it precluded the obtaining of adequate funds, and, therefore, even apart from the subsequent mismanagement, it was impossible for the project to have succeeded. It is these successive disasters that form the subject-matter of the greater part of Mr. Barbour's book, and the remainder is composed of appendices giving the Act constituting the company, the list of subscribers, a reprint of a rare tract—*The History of Caledonia*—and some documents which illustrate the preceding narrative.

Short as this history is, it is accurate and covers most of the ground to be traversed. Within a certain field of research the

No. 68.—VOL. XVII. Q Q

author has given practically everything of importance, and he has reproduced his material with a sufficient amount of picturesque detail but without too much. It is unfortunate that, when the greater part of the sources of information that are in print have been used so ably and carefully, the investigation was not extended to those in MS. also. The rough minutes of the Committee of Trade at the Register House afford some information as to how the draft Act was dealt with. The collection of the Darien MSS. and Papers at the Advocates' Library contains much that is not referred to in the volume of the Bannatyne Club, known as the *Darien Papers*. Then at the India Office there are at least two volumes amongst the "Home Miscellanies" which on certain points are fuller than anything in print—the one giving the proceedings in Parliament which led to the subscription of capital in London being interdicted, and the other many particulars relating to the steps taken by the committee of management of the London and English East India Companies against the ships of the Darien Company after the failure of the last expedition to the isthmus.

W. R. SCOTT

The United States Steel Corporation. By A. BERGLUND.
(Columbia University Press, 1907.)

THE special feature of this work is its study of the influences, financial and industrial, which prevailed when the Steel Trust was founded, and led to its institution. The four determining factors on which stress is laid are, first, the natural conditions and advantages of America in the materials of production; second, the special necessity for large capitals in the iron industry; third, the alternations of prosperity and depression in the trade under competitive conditions; and fourth, the tariff. The co-operation of these influences is held to have evolved the Trust. The descriptive chapters on the capitalisation and extension of the Trust since its foundation do not add anything to our knowledge, but they are lucidly and carefully written. The question whether the Trust can carry its high capitalisation depends, in the author's view, on the future value of its ore and coal properties, should these materials become relatively scarce in America in the near future. The chapters on prices go to show that the Trust has pursued a moderate policy and has prevented great fluctuations; and that the outside competition is too considerable to permit of monopolistic measures. Mr.

Berglund's study is free from all trace of partnership, and is a concise and useful record of the history of the Trust.

D. H. MACGREGOR

Roman Economic Conditions to the Close of the Republic. By EDMUND HENRY OLIVER. (Toronto, 1907.)

THIS study of economics under the Roman Republic is the work of a Canadian lecturer in history, and is published by the University of Toronto, of which the author was a Fellow in Political Science. It may be classed as an exceedingly careful, industrious, and, on the whole, very interesting compilation. It would be unfair, perhaps, to complain of it for being a mass of details, for that, plainly, is what its author intended it to be. Moreover, its style is workmanlike, and, excepting in certain passages—mainly dealing with agriculture—which become mere catalogues of articles, it is readable enough. How much of the undoubted interest that it excites is due to the undying attractions of its subject, one need not try to estimate. Enough that it is a sound, painstaking, absorbing monograph, which only occasionally may tax the patience of a reasonable student.

Though the author quotes Pliny occasionally, Columella very often, and makes one or two references to Julius Cæsar and Augustus, he does not otherwise attempt to overstep the boundary between Republican and Imperial Rome. This is rather unlucky, because it limits him to the centuries already treated of in Mommsen's brilliant and vigorous economic chapters. *Impar congressus Achilli*, Mr. Oliver can yet give us much of the material which Mommsen must have used, and add a good deal to our knowledge on many by no means unimportant points.

I confess that I should have liked more information on the population question during the last two centuries B.C., as well as something more under the heads of coinage and prices. Furthermore, one could have wished to read rather less about Italy, and rather more about the provinces other than Sicily and Western Asia Minor. One would like to know, for instance, what the causes were which probably made Spain suffer less misgovernment during the last century of the Republic than such provinces as Sicily and Western Asia Minor. However, it is but fair to again admit that lack of information is not a charge to be brought against the book as a whole.

Speaking broadly, while here and there Mr. Oliver may extend our knowledge and cause the average student to modify old im-

pressions, he does not attempt any revolutionary change of our views. Fascinating as the story is of the economic change of the Roman people from rough pastoral and agricultural simplicity to become the masters and financiers of the classic world, with wealth pouring into their coffers beyond the dreams of avarice, it remains in these pages, in essentials, the old story as we have imagined it. The agriculturists and shepherds of Rome who conquered Italy by hard fighting seem, from very early ages, to have had a keen instinct for finance, as apart from manufactures and commerce. When the conquest of Carthage and the Hellenic East gave them, in a single century, the control of the civilised and the wealth-producing world, they took to commerce eagerly enough. By confining the trading privileges of their provincial subjects to specified regions, they were themselves able to grasp most of the inter-provincial traffic and control it, to their own exceeding profit. But their gains by ordinary and legitimate mercantile business were probably small compared with the gigantic profits wrung from East and West by military exactions, by plundering Governors of the Verres type, by the farmers of the taxes, and, last but not least, by that numerous and highly organised class, the Government contractors. Polybius describes the Roman aristocracy and middle classes as interested in Government contracts to a man, a fact that accounts for the enormous influence of contractors on public life. In theory, after the first rage of conquest the sums extracted in the provinces by the Roman Government should have been light. Not only were direct taxes small, but there was no such thing as an elaborate protective system. The customs and harbour dues seem to have been imposts—what we should call revenue duties—of $2\frac{1}{2}$ per cent. to 5 per cent. -

The extortion of the Roman system was due to the presence everywhere of the unscrupulous middleman. Everything was let out to contract, and dishonesty and rapacity were well-nigh universal. What plunder could do was shown by Verres, who in three short years extracted sums equal to five millions of our money from the unhappy Sicilians. Other incidents enable us to guess what tax farming meant even in provinces not cursed by a monster for a Governor. Mr. Oliver goes so far as to say that the provinces yielded little direct profit to Rome; that most of them hardly paid the cost of administration. The real tribute levied took the form of illicit exaction and private usury. Against this statement, however, must be put the enormous booty brought to the Roman Treasury by successful generals, such as the con-

queror of Macedonia. It was this that enabled direct taxation to be abolished in Italy some forty years after Hannibal's downfall. Whatever it was that ruined Italy, from the standpoint of the patriot and moralist, it was not taxation; nor was it lack of precious metals, for so great was the stream of gold and silver flowing into the capital that interest there was as low as 4 per cent. on first-class securities. Indeed, it was the policy of Roman financiers to keep interest low in the City. The export of gold and silver was prohibited or checked, not because it was scarce, but from a settled purpose to make Rome what London is now, the world's money market. So ruthless was the Roman determination to keep usury at every stage in the hands of its own citizens, that the provinces were forbidden to send agents to the City to effect loans there. The whole work had to be done by Roman financiers. Most of this class were, of course, *equites*, but the senatorial families did their share, and that ideal Roman Republican, Marcus Brutus, passes across the stage as one of the greediest money-lenders in history. On the whole, the figure cut by the Roman ruling classes in Mr. Oliver's pages is very far from admirable. The Roman country gentleman appears as the exploiter of gang slave-labour in Italy, or "infamous for plundered provinces" abroad. It was not Hannibal's ravages that exterminated the class of Italian working farmers. For fifty years after the battle of Metaurus, the numbers on the Roman Burgess rolls rather increased than diminished. The colonies founded by Gracchus also did much to check the national decay. Complete demoralisation does not seem to have set in until after the murder of Caius Gracchus, and it almost certainly was not entirely or chiefly due to taxation, slaughter, doles of corn, protection, lack of gold and silver, the institution of slavery, or the exhaustion of corn lands by bad husbandry. Mr. Oliver points out that Caius Gracchus did not institute gratuitous distributions of corn. As for slavery, Italy swarmed with slaves long before his time, and even that irreproachable conservative farmer, the elder Cato, assumed that most farm work would and should be done by servile hands.

The draining of freemen from Italy seems rather to have been due to the ruinous effects of merciless usury and land monopoly to the attractions offered by conquered provinces to Roman emigrating citizens, and to the economic competition of cheap provincial imports, which made certain branches of farming unprofitable. In what proportions these influences worked, one may hesitate to suggest. The result is as lamentable as it is notorious,

for by the time of Sulla it is probable that the slave population of Italy was double the number of freemen in the Peninsula.

W. P. REEVES

DR. OSKAR GUTHMANN. *Ein Zollbündnis zwischen Belgien und den Niederlanden. (Untersuchungen über die Handelsbeziehungen zwischen Belgien und den Niederlanden seit der Mitte des 19. Jahrhunderts.) Mit einem Vorwort von Prof. BERNHARD HARMS, Jena. (Tübingen : Laupp, 1907. One vol., pp. 112.)*

THIS little work is extremely interesting in view of the present relations between Belgium and the Netherlands. There are many intelligent persons in both countries who judge that the time has come to re-open the question of strengthening the political and economic ties between them. No one contemplates the destruction of the work of 1830. But it is being asked whether the security and prosperity of the two kingdoms would not be considerably fortified and increased by an *entente* embracing a defensive alliance and an amalgamated tariff system. There is nothing new in this project, but it has only now begun to take definite shape. At the present moment a conference is going on at Brussels, in which the leaders of every political party and other eminent men, former Ministers and business men of both nations, are taking part, to open up what may be called official negotiations.

On the face of it, the tariff union would seem to be both entirely justifiable and easy of realisation. Holland, like Belgium, has to suffer under the protectionism of France and Germany, who are not content with closing the door against them, but who also seek to get possession of their national markets. If these two small markets be taken together, we get an economic domain consisting of 62,500 square kilometres and of thirteen millions of inhabitants—an economic force of some weight. The more so when, at first sight, the two countries seem to complement each other so admirably. The Netherlands have a powerful mercantile navy, and have, for some centuries, been a commercial nation. Belgium, the prosperity of Antwerp notwithstanding, has no *national* mercantile navy. Holland is an agricultural, stock-breeding country, without manufactures. Belgium is pre-eminently a manufacturing country; its agriculture and its stock-breeding are insufficient for the national requirements. Holland

has long possessed fine colonies. Belgium has only incipient colonies, with a doubtful future. Nothing, therefore, could be simpler or more natural than to see these two countries allying themselves. Association is the strength of the weak.

And yet, when the matter is gone into in detail, numerous difficulties arise.

Curiously enough there has never hitherto been carried out a thorough investigation of the commercial relations between the two countries. This is precisely what M. Guthmann offers us in his book, a work compiled with all the care and the exactitude of an academic treatise turned out in an advanced course of political economy in a German university. M. Guthmann is well acquainted with all the available documents, he has worked up his subject on the spot and from reliable sources, and he has had the perseverance to make the requisite summations and percentages.

He opens with a *résumé* of the commercial policy of the two countries during the nineteenth century and of the treaties concluded by each. He then draws a picture of the relative importance of Belgian exports to Holland and of Dutch exports to Belgium, based on the national statistics. Unfortunately there are no more defective statistics than those of Holland in this respect. Those of Belgium are not very perfect either; hence any adequate comparison between them is quite impracticable. M. Guthmann has toiled greatly to reach at least approximate results. As a controlling method he proceeds to study the variations of exchange between the two countries, that "barometer" of the respective pressure of international indebtedness. After devoting some pages to transit of goods and routes of commercial transport, he passes in review successively *all* the leading commodities in the foreign trade of each country, examines their status in general commerce—the tendency in each case to develop or to diminish as part of the same.

The result of these long inquiries is of great interest. Speaking generally, the reciprocal trade between the two countries is less important than is supposed. Dutch exports to Belgium, which preponderated up to 1880-90, are steadily declining (in favour of Germany). Belgian exports to Holland are gaining relatively in importance, but not to such an extent that Holland could not get on without Belgium, or Belgium without Holland. In short, neither country is indispensable to the other. And when we turn to their reciprocal trade, we see that they by no means complement each other. The importation of Dutch cattle is checked by the "closed door" at the Belgian frontier and by

the progress of internal stock-breeding. Holland has need of machines, but does not go to Belgium for the greater part of them. And so on in the case of other commodities.

From all this M. Guthmann has no hesitation in concluding that a *Zollverein* would not yield either country the advantages that are expected. Whether the question be simply to abolish the respective custom-duties (which would be wholly to the advantage of the Netherlands), or, on the other hand, to construct a genuine *Zollverein*, he judges that Belgian manufactures could not possibly withdraw the Dutch market from German and English manufacturers. His view is, that Holland's centre of economic gravity lies in Germany. And Professor Harms draws the practical conclusion from this inquiry by telling us, that "if Holland believes she requires any support in her economic relations, all her interests point her to Germany" (p. vi.).

Professor Harms's "appeal" is the more amazing when we note how M. Guthmann (p. 105) adduces the pronounced free trade of Holland as a reason for anticipating difficulties in the way of her concluding a tariff union with Belgium. How then would she fare with Germany?

We might, for that matter, ask why master and pupil have stopped half-way. For is not Belgium's economic "centre of gravity" equally in Germany, and would not the solution lie in Belgium, as well as Holland, entering the German *Zollverein*.

One can learn a great deal from this inquiry and its commentaries. Here I would only dwell on the great services rendered by M. Guthmann through studying in such detail the commercial relations between Belgium and the Netherlands. The need for his work was very great, and it will open the eyes of many who suffer themselves to be guided by appearances. May I, however, be permitted to say that it is a preparatory work? The question of tariff union is in no way thereby solved.

ERNEST MAHAIM

Impersonal Taxation. A Discussion of Some Rights and Wrongs of Governmental Revenue. By CHARLES HERBERT SWAN, of the Massachusetts Bar. Pp. 149. (American Academy of Political and Social Science. Philadelphia, 1907.)

Internal Taxation in the Philippines. By JOHN S. HORD, Collector of Internal Revenue in the Philippine Islands. (Pp. 46. Baltimore : Johns Hopkins Press, 1907.)

THE two works before us form an interesting contrast, because whilst one gives a long and detailed discussion of the rights and

wrongs of various forms of direct taxation, considered rather from a juristic than from an economic point of view, the other traces in the fiscal history of the Philippine Islands the growth of methods of taxation at once more just and more productive, and points the way to the perfection of the existing system. Each author treats only of one portion of the subject, Mr. Hord internal taxation, of which he, as collector, has had specific experience, and Mr. Swan dealing entirely with direct, and omitting indirect taxation. To point the contrast still further, the former, without dipping deeply into the moral standpoint, pictures the growth of practical justice, while in *Impersonal Taxation* "juristic ideals" appear to clash with the best accepted social and economic canons.

Its intellectual standpoint is almost entirely that of Herbert Spencer, or of John Stuart Mill, in his most individualistic moments. Restraints for the benefit of the restrained or a third party are upheld; those for the benefit of the restrainer are a "wrongful taking possession of a man himself." And under this head comes much direct taxation. All such imposts would appear to be so, if we follow this reasoning to its logical conclusion, but on other grounds, taxation in certain cases or of certain forms of income are allowed. And such is what the author would include under the heading of "Impersonal Taxation," when such payments to the State are justified by the "existence of a fundamental public interest concurrent with the public title." Such, for instance, is a land tax, provided its imposition follows certain rules, one of which forbids progressive taxation. For "land is the raw material of sovereignty, that is, a body of men cannot be called sovereign 'unless it exerts authority over some determinate territory.' So, in other cases, where the State can be shown to have a concurrent interest, as in the case of public franchises, such taxation is justifiable; whilst indirect taxes imposed on moral grounds are within its province, and enter into the calculation of the cost of production. The name of Impersonal Taxation is given because the tax is taken from the land or franchise regarded as a whole, without reference to changes in the actual owner. But personal taxes are those levied on the income of persons, or, as the author puts it, "on persons by reason of their income." But such taxes are unjust, the exercise of a proprietary right over the taxpayer, and therefore a violation of a man's freedom to make the best of himself. The English income tax becomes, as to many such taxes, the restoration bewailed in a later chapter of the feudal bondage denounced in the second, "a taking away of men's rights under colour of the King's title."

The soundness of this reasoning, even on juristic grounds, founded as it is on violently individualistic premises, is more than doubtful, though the author puts his trust in Bractons and Blackstones, whom he quotes *ad nauseam*. Still more do they run counter even to the most conservative of economic theories. State Protection—the benefit theory is only held to justify “the taxation of certain kinds of property having a public interest by nature,” which are therefore to bear the burden alone, which property of all kinds should share: whilst ability and revenue as bases of taxation are quite out of court. Far different from this somewhat dreamy individualism is the intensely practical character of Mr. Hord’s work. The early forms of head tax, the Spanish monopoly, the injustice of which was not discovered for 200 years, and the early mistakes of the Americans are first treated. Then follows the carrying of the new Internal Revenue Law, in spite of strong protests, which aims at exempting so far as possible the poor man and the small trader, and the gradual change of opinion as this law proved to be both just, convenient, and productive. Finally, Mr. Hord urges with much force the opening of American markets to Filipino products, at little cost to home producers and with immense benefit to the islands. The whole is clear, concise, and interesting, and the only regret is that the author’s space was so limited.

N. B. DEARLE

The Finances of Cleveland. By CHARLES C. WILLIAMSON, Ph.D., University Fellow in Political Economy. Columbia University Press. (London: P. S. King and Son. Pp. 266.) Price \$2.00.

A COMPREHENSIVE study of American municipal finance needing a previous treatment of that of individual towns, this book traces the development of the city of Cleveland from this point of view. Though only incorporated a city in 1836, it was by 1900 the seventh in the States, and its finances have exhibited no striking feature, but rather the common spectacle of an expenditure growing more rapidly than population and wealth. Administration, revenue, expenditure, municipal trading, and debt are accorded separate treatment. The favourite Corporation tax makes its appearance, whilst the cigarette tax is somewhat of a novelty in municipal taxation.

N. B. DEARLE

Trade and Currency in Early Oregon. A Study in the Commercial and Monetary History of the Pacific North-West. By JAMES HENRY GILBERT, Ph.D., sometime Garth Fellow in Economics. Columbia University Press. (London: P. S. King and Son, 1907. Pp. 126.) Price \$1.00.

TRADE development, in a State whose commerce had its origin in the exploitative trades—first trapping, and then gold extraction—is undertaken as a preliminary to the discussion of monetary growth. Here the author distinguishes a “beaver” currency in the days of the fur trade and squatting, which is followed by one of “wheat,” the latter in its turn being replaced by “gold dust,” when the interest of traders demanded a settled coinage. The law establishment, a State mint, being declared nugatory, private coinage was resorted to. Finally, the refusal to accept the greenback is shown to have been, together with other influence, a cause of the general stability of prices the State has enjoyed.

N. B. DEARLE

The Taxation of Corporations in Massachusetts. By HARRY G. FRIEDMAN, Columbia University Press. (London: P. S. King and Son, 1907.) Price \$1.50.

THE work before us is all the more welcome because it follows so closely Prof. Bulloch's work on Taxation in Massachusetts, and deals in detail with that part of the tax system which the latter writer showed to be, though not the oldest, at least one of the most important sources of revenue. The system was not unknown prior to the Civil War, though it was not till the great growth of expenditures in the 'sixties that its full development was accomplished. This was one of the chief causes, but another and equally important one was the feeling that corporate property escapes, through evasion and other means, its fair share of burden under the general property tax, and the legislators of Massachusetts, untroubled by distinctions between Personal and Impersonal Taxation, or whether there was a concurrent interest held by the State, proceeded to make experiments with a view to equalising the shares paid by corporate and other forms of property. Various interesting measures are recorded, especially those dealing with the taxation of the shares of foreign companies; but it was the spur of necessity, added to the desire for equality, that finally gave the corporation taxes the importance they now possess. The revenue that accrues provides about half

of the State requirements, and a portion of that of the municipalities. Four chapters are devoted to the treatment of the various forms of the tax—namely, the General Corporation, the Bank, the Public Service Corporation, and the Financial Corporation Taxes. In each case the history of the impost is traced, its results balanced, and its methods criticised, and the same is done with the whole system in the final chapter. The criticism unfortunately is chiefly devoted to the justice or otherwise of methods of imposing the tax, though the discussion of, for instance, the advisability of using stock only rather than stock and bonds is interesting; but, like Prof. Bulloch, the author does not give what would perhaps be most interesting to English readers, a criticism of the tax in the light of general economic theory and its place in general municipal finance.

N. B. DEARLE

Socialism before the French Revolution. By WILLIAM B. GUTHRIE, Ph.D. (New York: The Macmillan Co.; London: Macmillan and Co., 1907. Pp. xviii. + 339.)

Capital. By KARL MARX. Vol. II. *The Process of Circulation of Capital.* Edited by Frederick Engels. Translated from the second German edition, by Ernest Untermann. (Chicago: Kerr; London: Swan Sonnenschein, 1907. Pp. 618.)

Pictures of the Socialistic Future. By EUGENE RICHTER. Authorised translation by Henry Wright, with an introduction by T. Mackay. (London: Swan Sonnenschein, 1907. Pp. x + 134.)

DR. GUTHRIE'S work fills a gap in the history of Socialist thought. English readers have had little opportunity of acquainting themselves, from other than first-hand and hardly accessible sources, with the development of the earlier Utopian aspect of Socialism that existed between the Renaissance and the French Revolution. In this work the Utopists have received somewhat the same treatment as their successors, of the Revolution and after, have had from Herr Anton Menger in *The Right to the Whole Produce of Labour*.

"Social theory the outcome of social conditions," as Prof. Seligmann points out in a few preliminary pages, is intended to be the guiding idea of the book, and Dr. Guthrie accordingly, in his introduction, sketches the development of Socialist theory

in its connection with contemporary thought and life.' The writers whom he selects were too optimistic and too revolutionary to have much reciprocal influence on the contemporary life from which they took their tone. Yet despite its crudities, "pre-scientific" Socialism had many tendencies since absorbed in the comprehensive body of thought which now receives that title. The author's aim, then, is to "gather up and to systematise the early ideas and ideals from the most important sources, in order to ascertain what debt the present owes to the past in social thought."

A fourth part of the book is accordingly devoted to beginnings of social unrest in England, as voiced by Sir Thomas More, a decided reactionary, whose Utopia is only modern in that it "contemplates the conversion of the State into an economic and industrial agency." Although not based on the later idea of class cleavage, his work "must be viewed as forecasting that modern Socialist propaganda in which labour asks its opportunity in the larger culture" (of the New Learning, in its modern form), "with its varied expressions in education, literature, and art."

More novel to most readers will be the author's treatment of Campanella, "a constructive Socialist," a "radical and revolutionary," who is selected as typical of the "Independent" forces of the seventeenth century. A world-theocracy ruled by a Roman Catholic pontiff, with a Romanist King of Spain as his viceroy, under whom all should work four hours a day, all things should be in common, and State officials should be elected on the recommendation of professors and tutors—such was Campanella's ideal commonwealth. Mediaeval in origin and fantastic in form though this may appear, yet in his scope Campanella is, according to Dr. Guthrie, modern. For "he has set forth the fact, hailed as an acquisition of the nineteenth century, that social development is only one phase of the cosmic process. . . . His work foreshadows an attempt at a synthetic treatment of scientific thought."

From the Neapolitan monk, in his heretic's prison, we pass, after a brief treatment of the New Atlantis, to the eighteenth century, and the Naturalistic school. Morelly, who is here selected for treatment, may be said to be "modern" in his approach to the use of the historic method as the basis of his theories, and in his belief in the ultimate regeneration of society by the gradual growth of "an enlightened self-love," or "socialised egoism." Then follows a brief account of the lesser Socialist luminaries of the century: Boissel the "arch-

radical," Meslier, Mably and Babœuf, St. Just, Linguet, Barnave. The last-named may be looked on as a link between the philosophic and the economic schools of Socialism, for he blended with his *a priori* theories the conception of the influence of economic conditions on social progress, and of the slow development of national life.

Dr. Guthrie's work is a clear and eminently sane exposition of the evolution of Socialist thought, by an author with a very comprehensive knowledge of his subject. There are no extravagances; the author is never tempted into the treacherous path of epigram, but conducts his reader with ease and confidence through a jungle of theory. He should prove a safe and useful guide.

The second volume of Marx's *Capital* is at length published in English. Who should tilt at such a windmill? The volume contains Engel's preface, defending Marx from the charge of plagiarising Rodbertus, on the plea that Marx had not heard of the former's writings until after his own enunciation of the doctrine of surplus value, and, further, that Rodbertus was without any claim to originality in the important part of the doctrine by which he anticipated Marx, since Adam Smith and Ricardo had anticipated him therein. The Ricardian doctrine, according to Engels, failed owing to the falsity of Ernest doctrines that "labour is the measure of value," and that *homines ceteris paribus*, capitals employing equal quantities and qualities of labour produce equal profits. Of the first question Marx had for ever disposed in Vol. I. of *Capital*. This volume "settles definitely whether wages are paid from capital or income," and also foreshadows the revelation of a great secret, the solution of the "theory of equal profits" (which is not finally displayed until the third volume). With his challenge to the world's economists for rival solutions, the editor ends his preface to the volume laboriously compiled by him from a series of the author's MSS.

A practical commentary on social theory is to be found in Dr. Richter's excellent little book just re-issued in English, *Pictures of the Socialistic Future*, to which Mr. T. Mackay contributes a preface contrasting Liberalism and Socialism in Germany, and pointing a moral thereby to England. Although the "scientific" Socialist would complain that the cataclysmic change, by which Dr. Richter's working-class family finds itself planted in a German co-operative commonwealth wherein Morelly's "socialised egoism" is conspicuously absent, must be an individualist's nightmare, an absurd parody on the wildest

type of revolutionary schemes, yet there still exists a class of possibly uninstructed Socialists who should benefit by an object-lesson on the results of letting in "the Dawn and the Day" too rapidly. The author's dry humour will certainly appeal to other than Teutonic minds (the translator's apology to his readers is presumably another phase of that infectious species of humour); and the struggle over the control of State workshops and cook-shops, the maintenance of equality (carried out to a point involving the unfortunate Chancellor in the blacking of his own boots in the intervals of a strictly limited eight hours' daily work for the State), the problems of foreign trade, and the accumulation of useless articles of manufacture within the Socialist State—all this is very concrete and persuasive, and its veiled sarcasm makes it most entertaining reading.

C. VIOLET BUTLER

Histoire des Systèmes Economiques et Socialistes. Par Hector Denis. Tome II. "Les Fondateurs." Paris: Giard et Brière, 1907.

WHY "history of *systems*"? In France we usually say history of *doctrines*. The word "system" seems a designation more suitable for plans to reconstitute societies than for an inquiry into the laws by which they are governed. We may fairly say the system of Mercantilism, of Robert Owen, of Fourier, but to speak of the system of Adam Smith, of Ricardo, or even of Karl Marx, is a little baffling.

A truce, however, to this word-quibble. M. Denis's book is none the less a first-class piece of work. One might even call it a final pronouncement. I at least do not very well see how one could add to it, either by way of exhaustive and well attested records, or in the conscientious reading of every subject which is discussed, or in the consummate knowledge of all the economic problems which are met on the way, or in the impartiality and—to speak quite without exaggeration—the benevolence with which men and systems are judged, even where personal sympathies are not enlisted.

It is only in the plan of the book that the author lays himself open to some criticism. To each economist he devotes a special chapter, and this involves frequent repetitions, nor is it always clear why they are taken in the given order. Thus in this, the second, volume we find Godwin, Malthus, Ricardo, Sismondi, Owen, and Thompson. These writers were not exactly contem-

poraneous. Their works overlap for a period of about forty years. Other contemporaries of Malthus and Ricardo, beginning with J. B. Say, are not included. Hence the order in which they are here connected is not chronological, nor do we discern any chain of scientific priority linking these notable men. M. Denis, it is true, does explain his grouping: "The pessimistic dynamics (of Malthus and Ricardo) afford a contrast to the optimism of Ricardo's statics, and bring about an optimistic reaction in Sismondi, Owen, and Thompson." Well, that is a somewhat complicated solidarity, the more so when we try to think of Sismondi as an optimist. But then there is nothing more difficult than to devise a scheme for writing a history of doctrines which will give a purview of the whole economic movement, and at the same time throw into relief the relations of solidarity and of strife, of filiation or of reaction existing between different doctrines. The attempt has sometimes been made to substitute, for the chronological order, a separate account of different schools, notably in the histories of Bechaux's and of Rambaud's doctrines. But then we snap the one bond which connects across the centuries all schools, however opposed they may be. We may say that a good system for writing the history of doctrines is still to be found.

Sismondi, among all the great economists just enumerated who are discussed in this volume, holds the first place in M. Denis's admiration, and this is no more than just. It is no exaggerated homage to say, as he does, of Sismondi's work "that it has been the starting point of all the modern schools who have broken off from, or have openly attacked, the abstract school descended from Adam Smith, from the historical school to collectivist socialism." And even from the standpoint of practical reform, although Sismondi modestly denied, as being a task beyond his powers, having offered a solution of the social problem, or even having conceived an economic organisation essentially different from the existing organisation, nevertheless, M. Denis points out that agrarian legislation for Ireland since Gladstone has but realised the very definite suggestions given by Sismondi.

Next to Sismondi it is Thompson with whom our learned colleague of Brussels is most in sympathy. To Thompson he ascribes the merit of having been the first to deduce from the principle that value is based on labour, the logical conclusion it involved, but which had not even entered Ricardo's mind. And that is, that the whole produce of labour ought to belong to the labourer. Thompson is highly honoured to-day, even as

Rodbertus is, and as all pioneers become in time. There may be some exaggeration herein, the more so that pioneers become finally dethroned by other pioneers; nevertheless, it is well to draw the attention of French economists to Thompson, who is for them an unfamiliar figure. M. Denis points out that his name is omitted from the *Dictionnaire d'Économie Politique*, published in 1892, under the editorship of Léon Say and M. Chailley. Only he must not forget to note, in a subsequent volume, that the name of Cournot, a Frenchman, is not included either!

With Ricardo and Malthus, the two great founders of economic pessimism whose names will ever remain inseparable, M. Denis has no intellectual sympathy. He does not, however, withhold the justice due to them. Malthus especially he admires for having introduced the physico-biological factor into economics, and as being in consequence one of the creators of sociology. Notwithstanding this, he gives utterance, in this connection, to certain estimates which, falling from the pen of so amiable a writer as M. Denis, fairly astonish us. Is it just to say that Malthus "subjected humanity to the domination of lower instincts, and shattered the very idea of a moral evolution fit normally to contain the principle of population"? Or, again, that he taught "all moral progress will have as its result the ruin of society"? Is not Malthus's real doctrine this, that if, in the past, the sex instinct has been suffered to have free rein, and to prevail, up to the present, in its most brutal forms, bringing along with it poverty and the struggle for life, in the future, on the contrary, moral restraint will suffice to maintain population within the limits deemed desirable, and will render superfluous the cruel sanctions of nature? M. Denis himself adopts this point of view when he writes, "it is impossible not to be impressed by the severe and austere beauty of conception underlying the chief work of Malthus." The only question embarrassing from the moral point of view which should have been raised—and we regret that M. Denis passes over it in silence—is to know whether, by the words "moral restraint," Malthus understood total abstention from all sexual connection before marriage, and very intermittent use during marriage, or whether he did not admit, with the neo-Malthusians, voluntary sterility in sexual connection? If certain sayings of the reverend author seem to require the former interpretation, the rather utilitarian character of his ethics seems to authorise the latter.

M. Denis's book, which is of the highest value for professed economists, will probably be less appreciated by the general public,

and even by university students. Its form is somewhat austere, and all that may be called picturesque in the subject matter, all that might serve as illustration, and to pique the curiosity of the reader, is a little too much despised. To quote but one example, in the chapter on Sismondi there is not even mention made of the famous problem:—What would happen if all the machinery in England could be set in motion by a single handle which a single person, say the Queen of England, could turn? And yet the question makes a great impression on an audience, as we have proved several times.

The book contains by way of appendix a magnificent bibliography, and some diagrams and plates, among which are facsimiles of Owen's Labour Notes, or bills on the Bank of Exchange. The table of contents, on the other hand, is entirely inadequate for the inquirer. There should be a highly detailed index. This may probably appear at the end of the work with the last volume. There are certain to be five or six volumes, judging by the proportions of the two already published.

CHARLES GIDE

Le problème agraire du Socialisme—La Viticulture Industrielle du Midi de la France. Par Augé-Laribé. 8vo. Pp. 362. (Paris : Giard et Brière.)

THE first half of this book's dual title is chiefly ornamental; the latter is the true one. The subject is a somewhat technical inquiry into the organisation, processes, and difficulties of viticulture in the south-east of France, a region where land and population are practically monopolised by that culture. And since the author is himself a native of those parts, and has shown himself an expert on the subject in various publications, the present monographic study is an excellent presentment of facts, and could in this respect scarcely be surpassed.

The former title, however, has some justification in that the author makes his monographic inquiry lead up to the great problem put forward by the Marxist school, namely, how to introduce industrial organisation and concentration into agriculture. Does the evolution of wine-growing in the south of France demonstrate the accuracy of this so-called law so imperiously enunciated by collectivists and even by many economists? Do we see small peasant undertakings being gradually absorbed by large industrial and capitalistic properties? M. Augé-Laribé, whose sympathies

are collectivist, would fain be able to answer in the affirmative, but, his scientific probity being above reproach, he frankly admits that the facts do not bear out such an assertion. He shows that the small proprietors so far have held their own fairly well, and will do so far better when they have learnt to avail themselves of the resources which are placed at their disposal by co-operative association, and which have already resulted in some very encouraging experiments. Still, for the sake of his colours, he concludes with these words :—"It is very probable that in the future the supremacy of capital will be more definitely asserted. We may admit, therefore, that the Marxist theories will still hold good for the wine-producing districts of southern France, but that the economic evolution which must prepare the way for Collectivism is slow and uncertain."

If the chapters devoted more specially to viticulture can have no great interest for English readers, the same cannot be said of the chapter devoted to the agricultural proletariat, and to the efforts made in trade-union organisation, and even to the strikes among rural labour. Such facts as these are interesting to all. Some of these strikes have not been unaccompanied by violence. The reduction in the price of wine has checked them for a time, but it is likely that they will re-commence when that price goes up again. M. Augé-Laribé is of opinion that the wage question in viticulture can only be settled by collective bargaining between the proprietors on the one hand and the labour organisations on the other.

CHARLES GIDE

NOTES AND MEMORANDA

SUGAR AND THE TARIFF ¹

It was natural that an inquiry into the present state of the sugar industry should resolve itself into a discussion of the merits of the Brussels Convention—an international agreement for bringing to a close a fiscal system which dominated the fortunes of the industry for nearly fifty years. The Tariff Commission, having set out to ascertain the verdict of the trade, upon the working of this unique experiment, has reached the following conclusions:—The Brussels Convention abolished State bounties; and, in consequence, Kartells became impossible. It has checked imports of refined sugar into the United Kingdom, and encouraged supplies of raw cane sugar from the Colonies and elsewhere; it has stimulated British exports of machinery and confectionery, and has steadied prices. To establish these excellent results the Convention should be maintained; but its usefulness might be extended by the substitution of countervailing duties for prohibition and by the adoption of a system of reciprocal imperial preference.

The evidence of witnesses, replies to forms, an abundance of statistics, and some special Memoranda furnish the basis of these conclusions. "Confectionery" might have been more strongly represented among the "witnesses," but the *Sugar Users' Journal* has made us familiar with the opinions of this section. The "replies" are more comprehensive; indeed, interested persons, as sugar refiners, manufacturers of confectionery, chocolates, jams, syrups, and aerated waters, as well as produce merchants and brokers, present such a medley of facts and arguments that there is some difficulty in reconciling conflicting views and in adjusting the various claims. There are one or two conspicuous omissions from the statistical evidence: tables showing comparative total and per head consumption in various

¹ See Report of the Tariff Commission: Vol. 7, Sugar and Confectionery.

countries and the comparative growth of production in cane and beet countries would, we think, have been more useful for general reference than some of those supplied. The Memoranda contain an excellent summary of the Kartell and bounty systems, and statements by the West India Committee and the British Sugar Refiners' Association.

We are not sure that conclusions flow so readily from the premises as the report suggests. The simple fact that sugar is either a finished article or a raw material according to the individual standpoint creates antagonism at many points and robs the evidence of cumulative weight.

The abolition of the bounties has not affected bulk imports of sugar and molasses into the United Kingdom. The annual average for the five years, 1902-6, expressed in terms of raw sugar, was 34,763,000 cwts., as against 34,717,000 cwts. for the period 1897-1901; but the percentage of refined sugar has declined from 58·8 to 56·5. This is *prima facie* evidence that, while consumers and the sugar-using industries have not suffered, increasing imports of raw sugar have given employment to British refineries and a stimulus to auxiliary trades; but other factors, *e.g.*, prices and sources of supply, must be considered before any definite statement is made.

Undoubtedly, since the bounties were proportionately larger on refined sugar, the margin between quotations for raw and refined sugars has improved—a change which tells in favour of the refiner; but as regards the general level of prices, we agree with a witness who says “that the direct result of the Convention could not do more than raise the price to 9s. 6d. per cwt. . . . the natural cost of production” (131).¹ It should be remembered, however, that the sugar duty was re-imposed when prices were abnormally low. Prices have risen to a natural figure, but the tax still remains—as sugar users deplore.

It is of some consequence to the manufacturer of sugared goods whence he draws his raw material. There has been a slight diversion of British imports of raw sugar from the Continent to cane countries. Total average imports of raw sugar into the United Kingdom in the last two quinquennial periods have increased from 13,598,000 cwts. to 14,094,000 cwts., but the proportion from beet countries has fallen from 70·5 per cent. to 65·8 per cent. The increased cane supplies come mainly from Java, Peru, and the British West Indies, but are a very fluctuating quantity. There is a general feeling in the trade that the

¹ The figures in parentheses refer to paragraphs in the Report.

prospects of the West Indian industry are still precarious, and one reason is given by a witness in these words:—"Hitherto they have showed little inclination to adapt themselves to the necessities of the case and to supply the class of sugar principally used in this country" (153).

But while the confectioner has found West Indian sugar unsuitable to his requirements, he has also no grounds for preferring English refined sugar. He relies almost universally on German "granulated," because it is of uniform quality and does not need to be tested. Another reason is stated as follows:—"Importers will not continue to pay freight upon raw unrefined sugar when sugar can be refined with every facility abroad, with freights paid only on the finished and pure article" (153).

Refiners, in pressing for a "reasonable British fiscal policy," hope for "the extensive cultivation of sugar beet in agricultural England," and, apparently, reconcile this happy event with the development of the "great potential supplies of cane sugar in the West Indies and elsewhere" (125). It would be interesting to hear the views of colonial planters on this point.

Summarising very briefly the results of the Brussels Convention, we should say that, while it has given a little stimulus to the home refining industry, the net gains to the sugar-using industries and to the West Indian colonies are inappreciable. The former find that cheapened continental sugar has increased its uses and created formidable competition; the latter merely share the advantages with rivals who are better equipped and quite as keen to seize the occasion.

The Report gives us to understand that the Convention is an advance on previous policy, and that the comparative poverty of its results is due not to any unsoundness in its principles, but to their faltering application. Hence, it approves the refiners' demand for a countervailing duty, not merely in substitution of the prohibition of Russian and Argentine sugar—a very trifling matter—but such an increase of the existing duties on imported refined sugar, variously estimated at from 1s. to 4s. 2d. per cwt., as would "counteract the remaining bounties, which consist in reduced continental railway rates, subsidies to foreign shipping, &c., also preferential through rates granted by British railway companies, local rates, and Imperial taxation" (252)—not to mention the "foreign surtax of 6 francs" and "conditions of labour which would not be countenanced by public opinion in Great Britain" (236). A "small surtax on foreign refined

sugar " seems scarcely appropriate or adequate to cancel all these differential advantages—some of which cannot be included in the bounty category by any amount of straining of fiscal definitions; but, in its original acceptance, the Brussels Convention gave implicit sanction to the policy of using the tariff as a means of meeting unfair competition, and the proposal to build up a defensive tariff is a perfectly logical development of that position.

Although refiners are unanimous in demanding a surtax on foreign refined sugar, they do not agree as to the probable results of such a duty. Here are two representative opinions:—"The first effect would be to occasion a rise in the price of nearly the full amount of the duty, but while some [of our directors] think this would be maintained, others are of opinion that the increased production which would be stimulated would soon reduce the price again to the normal" (Lyle, 252). Again, "It would not reduce the cost of production, nor would it increase employment or wages. . . . The position would be unaltered with the exception of placing the British manufacturer on an equality with his foreign rivals" (Tate, 256).

On the other hand, sugar users condemn the proposal with one voice. The re-imposition of the sugar duty in 1901 already has enhanced the cost of their raw material, and they have not been compensated by an adequate increase in the price of sugar manufactures. In fact, the demand of the sugar-using trades for the abolition of the duty is quite incompatible with the refiners' demand for its increase. There are important distinctions in the two positions. First, the demand for sugar as a necessary food-stuff is inelastic, and, therefore, a small rise in price need not disturb the refiner; but for sugar regarded as the raw material of certain non-essential foods and luxuries the demand is variable, and experience shows that increased prices spell decreased sales. Secondly, the relative importance of the two branches of the industry must be borne in mind. If all the foreign refined sugar consumed in the United Kingdom—three-fifths of the total consumption—were refined at home, it would give additional employment to 7,000 persons (254); the sugar-using industries, which were in their infancy in the mid-eighties, employ, on a very moderate estimate, 100,000 persons. Moreover, "a very large proportion of the labour in a sugar-house is unskilled" (103); wages range from 25s. to 30s., and discharged hands drift easily into other trades (110). But a good operative confectioner is a skilled workman earning from £2 to £3 a week (145), and the cry of the trade is for more "men of sound know-

ledge, reliability, and thoroughness" (152). Some transference of capital and labour from a lower to a higher form of employment, happily, has resulted from the chaos of the bounty system, and any action, fiscal or otherwise, which would arrest this development must be deprecated.

The competition of articles imported and sold below cost of production in the country of origin is very limited. By-products of sugar manufacture do not come within the scope of the Convention, and American glucose and syrup are sold here at a non-competitive^e figure. Also, sugared goods, such as peels, preserved in glucose, encouraged by concealed bounties, find their way even from Convention countries. Otherwise, competition is restricted to special lines: *e.g.*, Swiss milk chocolates—the manufacture of which is assisted by cheap water-power; and to inferior stuffs which cater for a low-class trade.

The application of the Brussels Convention to by-products is a fit subject for submission to the Permanent Commission or for diplomatic treatment, but as regards competition in sugared goods there is no general desire amongst British manufacturers for a retaliatory duty. Such a duty could only be considered in relation to a general tariff embracing such articles as bottles and paper which the confectioner wishes to import as cheaply as possible. The balance of advantage to any given trade under a general tariff is a doubtful quantity, and the manufacturing confectioner, for one, lays much greater stress on having unlimited supplies of duty-free raw materials. Granted this, he will fight foreign tariffs with his own weapons.

Finally, there is the question of colonial preference. British refiners would like to share in any benefits accruing to the West Indies from Canadian preference by its extension to all British refined sugar; they propose to attract colonial raw sugar by means of a preferential tariff, and refine for export to Canada under the preference to Great Britain. What does the Canadian refiner say to this idea? And of what value is the Canadian preference to the West Indian planter when "practically the whole of the rebate is deducted from the price offered by the refiners" (272)?

The President of the Clyde Sugar Refiners' Association says:—"We do not look forward to any development of our export trade. The Cape is getting sugar from America and the Mauritius; and in Australia they grow and refine just about what sugar they want" (109). Messrs. Lyle say:—"We find that our colonies protect themselves so highly that we can do

no trade with them"; Messrs. Tate:—"We do not think that colonial or other preferential tariffs have benefited us in any way" (275). The export trade is, indeed, an insignificant matter, amounting to but three-quarters of a million cwts., out of thirty-two million cwts. •

Similarly with regard to sugared goods. "The duties have generally been fixed so high on confectionery that even with the preference the wall is insurmountable except for special lines" (280). The export trade is estimated at 10 per cent. of the total, and, though the main outward drift during the past five years has been to British possessions, we note that free-trade India is responsible for 283,000 out of 483,000 cwts. of sugar and for £167,000 out of £674,000 worth of confectionery.

It is not clear that we have forfeited any substantial advantage under the Brussels Convention by undertaking to grant no preference to colonial sugars; and, seeing that the confectioners' grievance has been removed by our withdrawal from the penal clause, it becomes, if not a highly useful, at least a harmless instrument.

E. COZENS COOKE

THE EFFICIENCY THEORY OF WAGES.¹

THE point of departure of this article, as well as the sense in which the word *efficiency* is used, will be made plain by reviewing a few points in Professor Marshall's treatment of the theory of wages.

After noting that the "phrase, the 'efficiency of workers,' has some ambiguity," Professor Marshall defines efficiency-wages as "earnings measured, not as time-earnings are with reference to the time spent in earning them, and not as piecework earnings are with reference to the amount of output resulting from the work by which they are earned, but with reference to the exertion of ability and *efficiency* required of the worker" (*Principles*, 4th ed., pp. 630-631). So far as I am aware, this description of efficiency wages is as near as Professor Marshall approaches to a formal definition of efficiency. He has recorded his objection to "bold and rigid definitions" in economics as not compatible with the nature of the subject matter, and as being the origin of mis-

¹ Several technical points in this paper are more fully treated in an article on "The Differential Law of Wages" which will appear in an early number of the *Journal of the Statistical Society*.

understandings and a "frequent source of controversies that have diverted energy from constructive work, and have hindered the progress of the science." In case of doubt as to the meaning of terms, he has told us to "look to the context for a special interpretation clause" (Bk. II., p. 121).

The fifth chapter of the fourth book of the *Principles of Economics* opens with this sentence:—"We have next to consider the conditions on which depend health and strength, physical, mental and moral. They are the basis of industrial efficiency, on which the production of material wealth depends." The most general conclusion as to the relation of efficiency to wages is reached in Book VI., p. 630:—"We may then regard competition, or, to speak more exactly, economic freedom and enterprise, as tending to make time-earnings in occupations of equal difficulty and in neighbouring places not equal, but proportionate to the efficiency of the workers."

The sense in which the term efficiency is used in this article is the sense in which it is used by Professor Marshall in these quotations, and the problem which it is proposed to investigate is the following:—How can the generalisation that wages are proportionate to efficiency be inductively tested? Is the truth of the generalisation limited to the hypothetical state of perfect competition, or is it approximately reached in the industrial world?

Incidentally, it may be observed that we have not thus far come nearer to a solution of this problem than to offer an artless paralogism having its origin in the ambiguity of the term efficiency. At one time the term is used to signify the physical, mental and moral qualities of the labourer, his "general sagacity and energy," and at another time it is taken to signify the measure of the labourer's product. The theory is then propounded that efficiency—implicitly in the first sense—determines the amount of reward, and this is thought to be proved by slipping into the second sense in which actual product is taken as the measure of efficiency. The net result of laborious reasoning is that the labourer gets what he gets.

Preliminary to any attempt to give a statistical test of the doctrine that wages are distributed according to efficiency, we must know two things: (1) the actual distribution of wages in some large group of labourers; (2) the law of the distribution of efficiency among the selected group of workers. These two desiderata we shall consider in order.

The volume on *Employees and Wages*, published by the

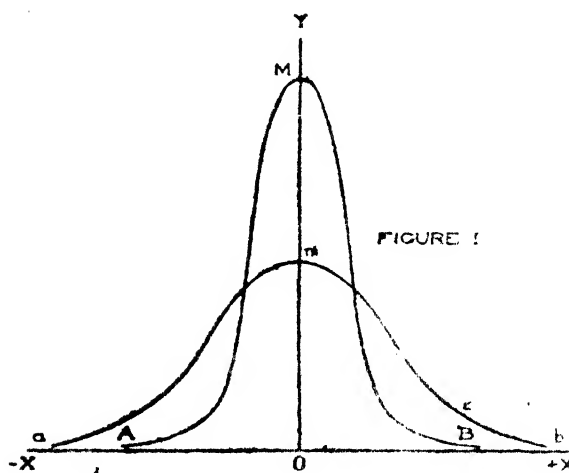
Census Bureau of the United States, in 1903, offers a large range of wage statistics relating to American manufactures, tabulated according to wage groups. For example, it is recorded that in the woollen mills in 1900 wages ranged from less than \$2.00 per week to \$72.50 per week, and the numbers receiving wages within these limits is given for every fifty-cent group. Thus, out of a representative total of 4,608 in all occupations in that industry, 301 received between \$9.00 and \$9.50 per week. Similar tables are given for thirty-two industries. In order to ascertain the distribution of wages in the whole of manufactures, thirty of the thirty-two schedules were combined into a general schedule. In this way the distribution of weekly rates of wages in one-dollar groups was ascertained for a total of 160,055 labourers. The labourers in this case included males sixteen years and over, in all sections, all occupations. The graphical description of this general schedule, between the limits \$3.15 per week and \$35.95 per week, is given by the zigzag line in the accompanying chart. By referring to the chart we see that the greatest number of labourers, about 15 per cent. of the total number, received between \$9.00 and \$10.00 per week, and that there was an aggregation of wage-earners at definite weekly rates, *e.g.*, at \$7-8, \$9-10, \$12-13, \$15-16, \$18-19, \$21-22, \$24-25, \$27-28, \$30-31. These weekly rates are equivalent to customary daily rates of \$1.25, \$1.50, \$2.00, \$2.50, \$3.00, \$3.50, \$4.00, \$4.50, \$5.00. The general wage schedule upon which this wage curve is based fulfils the requirements of our first desideratum.

We have next to inquire as to the distribution of efficiency. Professor Marshall's discussion of the "basis of industrial efficiency" suggests the clue to a preliminary hypothesis. According to the quotation from the *Principles of Economics* already given, the "basis of industrial efficiency" is in health and strength, physical, mental and moral. Moreover, "we may say that what makes one occupation higher than another, what makes the workers of one town or country more efficient than those of another, is chiefly a superiority in general sagacity and energy which is not specialised to any one trade" (*Principles*, p. 286). Recent investigations by Prof. Karl Pearson¹ and his co-workers have established that the distribution not only of the chief physical characters in man but of his mental and moral

¹ Karl Pearson, F.R.S., and Alice Lee, D.Sc., On the Laws of Inheritance in Man, *Biometrika*, Vol. II., p. 395. Karl Pearson, F.R.S., On the Relationship of Intelligence to Size and Shape of Head, and to other Physical and Mental Characters, *Biometrika*, Vol. V., p. 106.

qualities as well is described with sufficient accuracy by the normal or Gaussian curve. The particular hypothesis made in this paper is that the distribution of "general sagacity and energy" among labourers, which is itself a balance of efficiency determined by physical, mental and moral qualities, follows the Gaussian law.

The normal or Gaussian curve is represented graphically in Fig. 1 by either of the two curves $A M B$, $a m b$. If from a homogeneous group of men a large number of measurements of any physical character be made, for example of stature, it will be found that the measurements may be arranged in such a way that the relative frequencies of the deviations from the average measurement will, when plotted, produce a curve approximating this type. A deviation in excess of the average stature is measured to the right of point O , on the line ox , and the cor-



responding frequency of the deviation is then plotted perpendicularly at the limit of the deviation. Similarly, deviations below the average are measured to the left of the point O . While the two sides of the curve are generally symmetrically disposed about the maximum ordinate, the concentration of the measurements about this ordinate varies with the standard deviation.¹ The standard deviation of the curve $a m b$ is twice that of the curve $A M B$.

¹ The standard deviation of a series of measurements is the square root of the mean square of the deviations of the measurements from the average measurement. If a series of n measurements be represented by m_1, m_2, \dots, m_n the average of which is A , the standard deviation is $\sigma = \sqrt{\frac{(m_1 - A)^2 + (m_2 - A)^2 + \dots + (m_n - A)^2}{n}}$

Assuming, then, that "general sagacity and energy" is distributed according to the Gaussian law, we require to know, before we proceed to a statistical treatment, how much on the average the members of a sample population differ from each other. If one thousand individuals are selected at random from a population distributed, in respect to any particular character, according to the Gaussian law, how much will the n th individual differ, on the average, from the $(n+1)$ st individual, when the members of the sample population are ranked in the order in which they possess the particular character?

This problem in a generalised form was proposed, in 1902, by Mr. Francis Galton,¹ and was solved by Professor Karl Pearson,² who named the problem *Francis Galton's Individual Difference Problem in Statistics*. Professor Pearson reduced his solution to a form by means of which it is possible to compute the difference between any two individuals in a sample population of any size. From his formulas I computed a sample population of one hundred members which will be referred to, in the remainder of this article, as the standard population. By means of this standard population it is possible to make such statements as the following:—Assuming that efficiency is distributed according to the Gaussian law, the difference between the most efficient labourer and his most efficient neighbour, in a standard population of 100, is 0.360961 times the standard deviation of the general population from which the one hundred individuals are taken as a sample. The difference between the 50th and the 51st individual is 0.025066 times the standard deviation. In like manner the difference between any particular individual and the least efficient member of the group can be given. This standard population supplies the second desideratum of our problem.

The ambiguity in the word efficiency, the confusion of qualities in the worker with the measure of his product, has already been adverted to. The fact accounting for this confusion, namely, that with a given degree of efficiency, of "sagacity and energy," the product of the labourer is a function of his environment, is important for our problem. With the distribution of efficiency among a group of labourers according to a given law, the apportionment of their income will vary according

¹ Francis Galton, F.R.S., The Most Suitable Proportion between the Values of First and Second Prizes. *Biometrika*, Vol. I., pp. 385-390.

² Karl Pearson, F.R.S., Note on Francis Galton's Problem. *Biometrika*, Vol. I. pp. 390-399.

to the economic environment in which the sub-groups of labourers are placed. It does not follow that because "general sagacity and energy" among a large group of labourers is distributed according to the Gaussian law that, therefore, their income will be distributed according to the same law. Unskilled, unorganised labour works under different conditions from those of skilled, organised labour. The strategic advantage in bargaining enjoyed by the latter group enables them more effectually to exploit their environment, and, consequently, although their income would be apportioned within their group according to the differential efficiency of the members of the group, and, although the income of the unskilled labourers would be similarly apportioned within their group, the fact that the two groups worked at different levels would cause the form of the distribution of individual incomes to vary from the symmetrical Gaussian curve in the direction of a positively skew distribution. It is necessary to make allowance for this factor in our problem.

An approximate measure of the importance of this factor has been attempted in the following way:—For theoretical reasons, which are given in the article on *The Differential Law of Wages*, to which reference has already been made, the range of wages in the general wage schedule of manufactures in the United States was taken as between the limits \$3.15 and \$35.95 per week. The minimum wage received in the general group was accordingly \$3.15, and the average wage of the whole group was \$11.43 per week. Of the total wages received by the general group, 35.29 per cent. was divided between the less efficient 50 per cent. of the labourers, the remaining 64.71 per cent. of the aggregate wages was divided among the more efficient labourers. The standard population, composed of one hundred members, was, therefore, divided into a first and second sub-group, the former composed of the fifty least efficient members, receiving 35.29 per cent. of aggregate wages, and the latter, composed of the fifty more efficient members, receiving 64.71 per cent. of the total income. It was assumed that the total wages received by the standard population was one hundred times the average wage in the general wage schedule of the United States, namely, \$1143.00.

The series of hypotheses affecting the standard population may now be recapitulated:—

1. Efficiency is distributed among the one hundred members according to the Gaussian law.

2. The sum distributed as aggregate wages equals one hundred times the average wage received by the representative group of American manufacturing labourers, that is to say, \$1143.00.

3. The less efficient fifty members receive 35.29 per cent. of the total income, and the more efficient fifty members divide between them 64.71 per cent. of that sum.

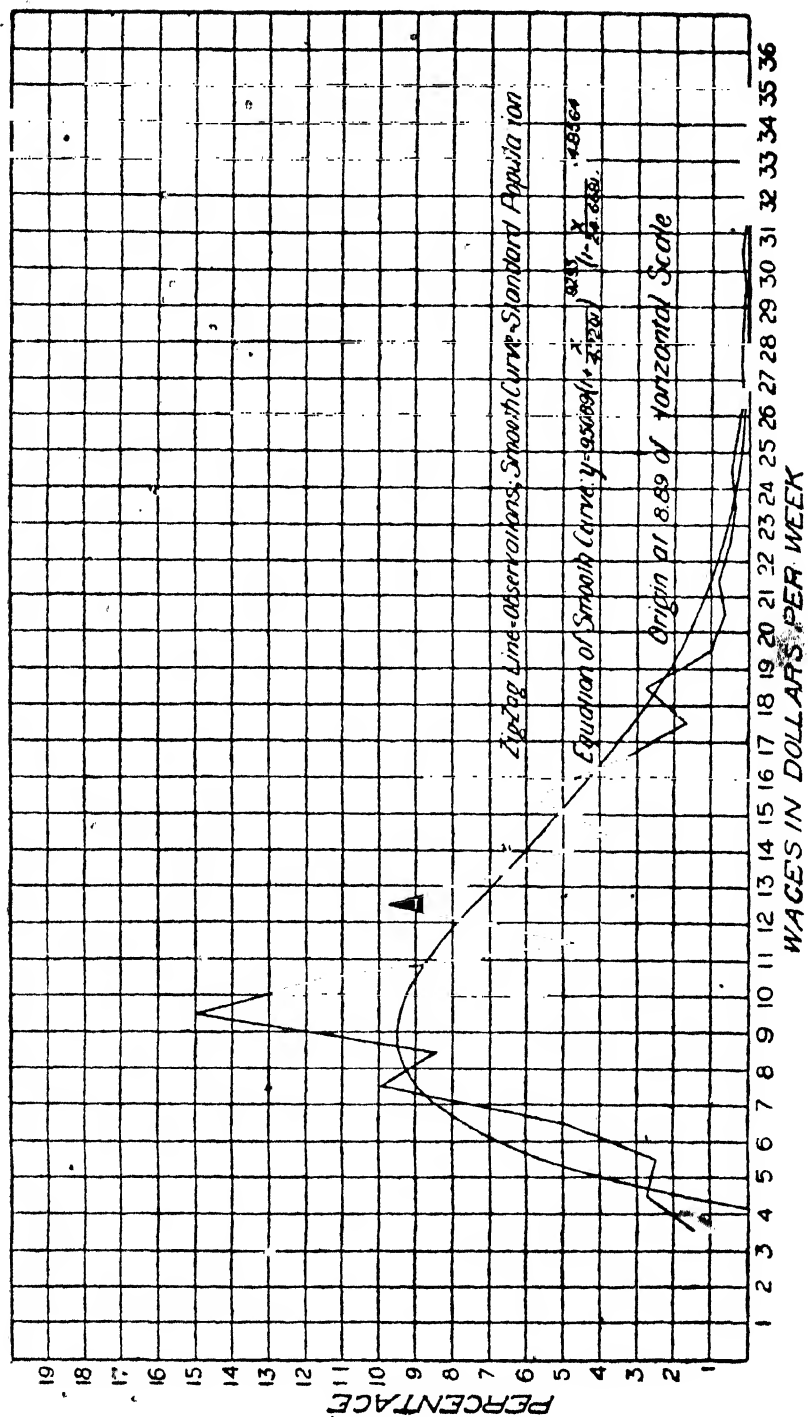
4. The minimum wage of the first sub-group is \$3.15, the same as the minimum in the manufacturing schedule.

5. The shares of total wages going to these sub-groups are distributed according to the differential efficiency of the members of the respective sub-groups, that is to say, each member of the standard population receives the minimum wage of his sub-group plus an addition proportionate to his differential efficiency over the least efficient member in his sub-group.

These hypotheses suffice to determine the distribution of wages among the standard population according to the conditions of the efficiency theory of wages. In order to compare this theoretical distribution with the actual distribution in American manufactures, the wages of the standard population were collected into groups of one-dollar range, and the percentages of the total population receiving wages between the several group limits were ascertained. In this way, for example, it was found that 13 per cent. received between nine and ten dollars per week. As the standard population is so very small, the distribution of wages among its members, if plotted in the usual way on the chart, would be represented by a series of scattered points, which would give but a very indefinite idea of the measure in which our theory is borne out by the facts. Instead, therefore, of simply recording these scattered points, the smooth curve that passes as near as possible to these points was computed and is drawn on the chart. The general conformity of the smooth curve to the zigzag line is the measure of the conformity of facts and theory.

Considering the nature of the statistical material, the small size of the standard population, the impossibility of determining accurately the effect of the strategic advantage of organisation, the chances of error in the estimation of the minimum wage, and the imperfect working of competition, it is regarded that the general agreement of theory and fact is remarkably satisfactory.

I may be permitted to suggest two directions in which the theory of the standard population may be used :—



1. Just as the wage group has been broken into sub-groups of unskilled labour and skilled labour, so the whole class in society who receive productive incomes, as contrasted with incomes from capital, may be divided into appropriate sub-groups, and the law of the distribution of their incomes tested according to the efficiency theory. The efficiency theory of profit would lend itself to this form of investigation.

2. The *rationale* of Pareto's curve of distribution of income is suggested. Variations in the value of α have been established for different conditions. A partial, but fundamental cause for the stability of the average value of α , as well as for its variations, will probably be found in the economic facts discussed in this paper.

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THE SEVENTH CONGRESS OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE.

THE International Co-operative Alliance was formally instituted in the year 1895, in London; that is to say, its statutes were there established by vote. But its birth really dates from ten years earlier. From the date of the congress of the English Co-operative Union, held at Oldham in 1885, certain French and English co-operatives, among whom Messrs. de Boyve and Vansittart Neale must especially be mentioned, set themselves to organise it. By means of such an Alliance the founders sought above all to bring together the leaders of the movement in different countries, and, to quote from M. de Boyve's report: "to concentrate the best elements from the various classes of society, so as to attain step by step to social peace and the brotherhood of peoples." The methods proposed were profit-sharing and co-partnership.

But the Co-operative Alliance has diverged widely from the original programme. In the first place, it has lost its academic character, and has come to be a sort of international Parliament of co-operation. Whereas the numbers were maintained at first by co-option, this is now effected by election. And, as is only natural, it is business men who are nominated rather than theorists. Nevertheless a high level has up to the present been maintained, and the Central Council is composed of nearly all the most eminent co-operators in Europe.

Besides this, the ideal of social peace to be won through the union of labour and capital, through profit-sharing and co-partnership, no longer occupies the forefront in the programme of the Alliance. We may even go so far as to say that the tendency is to substitute more and more an anti-capitalistic attitude. This evolution is due to the influence of delegates from distributive co-operative societies, with federalistic tendencies, who want to transfer industrial management and profits from capital to the consumer. This is what we ourselves have called "the reign of the consumer as bound to succeed the reign of capital." And as to labour itself, the inclination is to confer on it, not a share in the proceeds, but only a "fair wage." We know that the Manchester Co-operative Wholesale has always refused to grant its employees a share in the profits, and has deemed it sufficient for them, if they belong to the society, to benefit solely as consumers.

Federalistic co-operation is not far removed from socialistic collectivism. Indeed, those societies affiliated to the Alliance who profess themselves Socialists—notably the Belgian co-operators and some among the French and the Italian—are trying to push the Alliance along that path; in other words, to put the Alliance at the service of the war of the classes.

These preliminary remarks may serve to show the special interest attaching to the seventh congress of the Alliance, which took place this year at Cremona, September 22nd to 25th. Of previous congresses two have been held in London, two in Paris, and one respectively at Delft, Manchester, and Budapest. The next will be held at Basle.

The recent gathering outshone all previous congresses in numbers. Three hundred members attended, of whom 122 were Italian, 52 were British, 42 were French, and the remainder from thirteen different countries. It is very possible, of course, that the seductions of Italy and the attractiveness of the excursions arranged to Lake Maggiore and to Venice may have had more to do with this than the love of co-operation. But, anyway, nearly every known figure among the co-operators of Europe was present, and the President was one of the most illustrious of them all, M. Luigi Luzzatti, founder of the People's Banks in Italy.

In spite, however, of such brilliant auspices, no great result was achieved by the congress in the matter of making clear, in any direction, the present status of the Alliance. The subjects in the agenda on agricultural co-operation, on the importance of wholesale stores, on the functions of women in co-operation, and

on the services which co-operation can render to the working classes, yielded reports which will form useful reading when published. But the discussions on those reports were lacking in interest. It should be remembered that these international co-operative congresses do not, in one respect, run on all fours with congresses of diplomats or of scholars, where each member speaks several languages, and where often only French is used. Here the various delegates usually spoke only their own tongue, and hence discussion was scarcely possible. One speaker was seldom able to respond to another previous speaker, and was himself only understood by a fraction of the audience. Interpreters, it is true, were present, to turn each speech into three languages, but this remedy was but a lame one. Perhaps Esperanto may afford a solution. There was a certain demand for it.

It followed that the great debate, which had been eagerly expected, on the relation of co-operation and socialism, fell almost flat. The delegates of the Italian labour societies wished to have it recorded on the agenda that co-operation ought to be considered as entirely a Labour movement, and should aim solely at the protection of the Labour interest, by procedure parallel to that of the trade unions. Also that all dividends should be amalgamated "to strengthen all the methods of class war." The congress committee set its veto on this agendum being put to the vote, because it was in contradiction to Art. 2 of the statutes, in which it is stated that the Alliance is "not concerned with questions of politics or of religion . . . and that, to maintain this neutrality, every adherent of the Alliance admits that co-operation is self-dependent, and must not be the organ of any party whatever."

Notwithstanding this, the president, M. Luzzatti, for the sake of tolerance, suffered one French and two Italian Socialists to speak. They supported the resolution that co-operation could only render genuine service to the working class as a means of resistance to the capitalistic classes, and of conquering the instruments of production. President Luzzatti replied in a greatly applauded speech, the gist of which was as follows :—

"Co-operation is not a class struggle, but an economic method of emancipating all workers from every form of usury. Socialists used to fight co-operation, but now they consider it a valuable instrument of social reform."

"We welcome all Socialists into our Alliance, bringing new ideas and fresh energies, but only so long as they bring with them that same spirit of toleration which they themselves ask for."

The closure was finally applied to the discussion, and voting

adjourned to a subsequent congress, in spite of the vehement protests of the Socialists, especially the French ones. But there can be no doubt but that, had the voting taken place, the resolution in favour of class hostilities would have been rejected by a big majority. It should not be forgotten that to the Co-operative Alliance belong a considerable number of agricultural co-operators, for the most part of conservative and anti-socialistic tendencies. They are indeed of the opinion that the Alliance has advanced much too far to the Left, and it was on this account that, at the last congress, at Budapest, the great German federation of societies after the Schulze-Delitzsch type, now presided over by M. Crüger, separated from the Alliance.

The most important act of the Cremona congress was the change effected in the governing staff of the Alliance. Mr. Henry Wolff, who has been president from its foundation, but who had for some time been on somewhat bad terms with several members of the Central Council, especially with those of Switzerland, France, and Hungary, gave in his resignation, and was succeeded by Mr. Maxwell, the well-known president of the Scottish Co-operative Wholesale Society. He will have as his successor Mr. Aneurin Williams, the founder of the Garden City at Letchworth. It should be noted that the Scottish Co-operative Wholesale carries on co-partnership within the society, in contrast to that of Manchester; further, that Mr. Aneurin Williams is joint editor of the periodical, *Labour Co-partnership*. Hence it would seem that the Alliance is on the way to revert to the original programme which it had abandoned. I do not, however, believe that such a revival was in the minds of those who voted for these nominees. Still, it is probable that the new administration will guide the Alliance along a different channel from that down which the federalists and the collectivists would have drawn it.

The excursions organised to the chief co-operative centres of North Italy proved very instructive. The agricultural co-operatives, in the shape of banks for productive societies or even of manufactories of manure, are very highly organised, and on a larger scale than in France. But that which made the most vivid impression upon us, and the like of which could not be met with in any other country, was a railroad thirty-two kilometres in length, about to be built by an association of ordinary working men and Socialist labourers, and not only built, but also carried on at their own risk and responsibility: The requisite capital is to be advanced by the people's banks. It is true that the railroad

is not yet running. We were invited to the inaugural ceremony performed by President Luzzatti on September 29th. But no one, not even M. Luzzatti, seems to entertain the smallest doubt of the success of this extraordinary enterprise. We confess to feeling less sanguine, and shall await with interest the results of this notable experiment.

CHARLES GIDE

RELATION OF THE GENERAL SUPPLY CURVE TO A "PARTICULAR EXPENSES" CURVE

MR. PIGOU raises an important question in the June number of the *ECONOMIC JOURNAL*, when referring to what I had written in the two former numbers. He attributes to me the assumption that a "supply curve" can be treated as a "particular expenses" curve, and questions the legitimacy of that assumption. In treating a general supply curve like a "particular expenses curve," I was taking the least arbitrary supposition in the absence of special knowledge. When any article is produced for a market by a number of producers, and all of them increase their output, it may be that each producer's particular expenses curve is affected by the alteration in the general scale of production. The producers may tend to "get in each other's way," so to speak, *i.e.*, particular expenses curves may tend to rise along with an increase of the general scale of production. Or, on the other hand, the increase of the general scale of production may tend to the lowering of particular expenses curves. There are no suitable short expressions that I know of descriptive of these two conditions. The latter is not necessarily a case of "increasing returns," because it is possible that the bodily lowering of the particular expenses curves may not be sufficient to overcome the tendency to diminishing returns of the individual curves.

An increase of production might be attended by an increased cost per unit, even though to some extent the producers tended to assist one another.¹ For brevity I call the two conditions co-operative and anti-co-operative, and between the two is the neutral condition, in which particular expenses curves would not be generally raised or lowered with an increase in the general scale of production.

¹ Vide Edgeworth, *ECONOMIC JOURNAL*, p. 68, the case in which "external Economies are over-ridden by a tendency to diminishing returns."

"Diminishing returns in respect of external economies" describes the condition, but is awkwardly long.

I assume the neutral condition as a preliminary, at all events, because it is the least arbitrary assumption that can be made. It is similarly on the principle of taking the least arbitrary supposition that particular expenses curves are assumed to be ascending. In rapidly-growing firms it is not the case, but the general failure to secure monopoly shows that "diminishing returns" must prevail on the whole.

I have given a good deal of thought to the consideration of the effect, upon the problem of incidence and effects of tariffs, of assuming as general either co-operative or the anti-co-operative conditions; but as I do not at present see sufficient reason for supposing that either of these two can be regarded as normal, I refrain from entering into that now. It seems more likely that the alternative to the agnostic attitude would be the assumption that governments are able to discriminate roughly between the industries in which co-operative conditions prevail and those in which anti-co-operative or neutral conditions prevail. The discrimination might be on simple broad lines, such as "young" and "old" industries, "manufacturing," and "raw material producing," or it might be supposed that by special study of conditions more detailed discriminations are possible. On this supposition the scope for governmental control by means of tariffs and bounties would be larger on the whole than it would be if such discriminations are regarded as impracticable.

The hypothesis which I made with regard to supply and costs stands in precisely the same position as that which Mr. Pigou makes with regard to demand curves and total utility.¹ It is only on the principle of taking the least arbitrary assumption that one is justified in assuming that total utility can be measured by integrating a demand curve. Mr. Cunyngame, in his *Geometrical Political Economy*, and, more clearly, Professor Edgeworth, in his review of that book (*ECONOMIC JOURNAL*, Vol. XV., p. 62), point out that an individual's appreciation of a thing may depend not only on the amount of it which he himself gets, but also on the extent to which it is enjoyed by others. An additional hymn-book was taken as an illustration of a case in which the utility to the individual increased with the increase of use by others, and some articles of luxury were suggested as illustrations of the opposite tendency. In the first case, total utility would be greater than the space measured by the general demand curve; in the second case, it would be less. Until it can be shown that there is any general probability in

¹ *ECONOMIC JOURNAL*, Vol. XIII.

favour of the prevalence of one or other of these two conditions, in regard to demand, it is necessary to assume the neutral position as normal.

Again, confining attention to the individual's demand, consider such a thing as tobacco. With one individual one cigar per day would afford a certain rather keen degree of pleasure, for which he would pay a good price. A second cigar per day might not only afford less pleasure but it might take away the peculiar zest which attached to the other when it was the only one. In that case the individual's total utility would not be measured by integrating his demand curve. In other individuals with cigars, up to a point, and in case of other things, the increased use might enhance rather than diminish the utility of the "earlier" units. It is only on the principle of probability that we can take the individual's demand curve as, on the whole, a measure of total utility.

It may be thought that, as regards demand, the possibilities I have referred to are unimportant, and that that is the reason why the doctrine of consumers' surplus may be accepted, whilst the corresponding simple measurement of costs and producers' surplus may be rejected. The fact is, however, that in any case the two must stand or fall together. If there were reason to suppose that, let us say, the conditions which I have termed "co-operative" prevailed generally in regard to supply, the simple method of measuring utility, as well as cost, would fall to the ground. Any change in the demand for an article would be accompanied by changes in the supply, and, therefore, in the position of the particular expenses curves, and it might have an effect which would cause a change in total costs of greater magnitude than the apparent gain or loss of consumers' surplus. Further, the "consumers' surplus," which is shown in connection with any demand curve, largely represents not so much pure psychological satisfaction as the saving of cost, which would have to be incurred in getting some more expensive substitute. The theory of demand and consumers' surplus is inextricably connected with that of supply.

C. F. BICKERDIKE

LABOUR EXCHANGES AND UNEMPLOYMENT.

MR. BEVERIDGE'S paper¹ on "Labour Exchanges" contains one of the most earnest and confident schemes for dealing with

¹ ECONOMIC JOURNAL, March, 1907.

the unemployed which have yet been put forward. I should like to draw attention to some aspects of the question which his remarks suggest.

In the first place, it is clear that the extent of this evil is underestimated if we judge solely by the official percentage of the Board of Trade. For the degree of unemployment is not represented by statistics of the number of individual men who are out of work. We require to know also how many are working short time. It is not even necessarily true that *variations* in employment correspond in *direction*, apart from extent, with variations in the number of men out of work; and the general, though inevitable, effect of the official figures is to underestimate the degree of industrial distress. In addition, the worst kind of distress is that of unskilled workmen, who have no reserve to fall back on, and make no Trade Union returns.

It is with unskilled work that we are specially concerned; an organisation is required which will fulfil some of the duties of a Trade Union, but the expenses of which will be borne by the public. Mr. Beveridge proposes the Labour Exchange, the effect of which, he believes, will be, *first*, to diminish the total amount of labour which will be required as an industrial reserve, and, *second*, to lessen the casual nature of this labour, since it will now be casual only with respect to individual firms, while it will be the moving but constant auxiliary of industry in general.

This proposal does not provide new work, and it creates a residue which will no longer be wanted even for casual work. That is its first problem, and I am not clear that this residue will be manageable. For what is the assumption? It is that this residue will consist of *definite persons*. But is it not more likely that, during each depression of trade, the individuals who are thrown out of work will be different individuals each time, their identity, even with Labour Exchanges, depending on all sorts of chances? Given the organisation of such exchanges, the mass of the unemployed will still stand by as the industrial reserve, while each individual's chance of work, on account of the greater mobility of labour, will be slightly less. How, that is to say, is the residue to be selected which is to be dealt with by emigration or otherwise? The registers of the Exchanges are open to all, and casual labour is difficult to grade. This degree of organisation seems to me likely to make it more, and not less, casual. If, for example, at each of two places of equal industrial activity there is such an amount of unskilled work to do that each workman is certain of a few days' work per month in his own place; then the

result of an interchange of labour is to give to each man half a chance of the same amount of work at each place; but this is not a certainty of any work at all. The greater mobility of labour, together with the difficulty of grading, and therefore of draining off a residue, is equivalent to an increase of quantity, and an increased casualisation of the individual, unless something further is done. This peculiar result, that a *certain degree* of organisation may be harmful, is based simply on peculiar features of casual labour.

And even granting that Mr. Beveridge's scheme would lessen the numbers of the industrial reserve; still, the problem just is that this reserve is there, chronically unpaid, and hopelessly beggared whenever we come to a general and widespread depression of trade. They have neither credit, nor insurance, nor retaining fee to fall back on. The phrase "industrial reserve" somewhat slurs over the economic hopelessness of their position. The military reserve has other occupations in time of peace.

II.

Labour Exchanges are an important factor in the solution of this problem, since they recognise the responsibility of public authorities. But for public bodies merely to furnish a means of transference for the reserve of private industry is a limping scheme; if the taps between a number of reservoirs are occasionally opened, the water which is as high as the taps will tend to be transferred; it will not always be the same water, and there will always be depths which must take their chance of reaching, by accident or diffusion, the favourable position for transference.

During the depression of 1902 a well-known author, on hearing the complaint of "no work," is said to have exclaimed, "No work! send them to rebuild their own houses." It is indeed paradoxical that, in our great cities, we should hear at one and the same time the two complaints, "There is so much to be done," and "There is no work to be found." Schemes of public improvement will not be undertaken by private persons except for profit; where no profit is promised, public bodies must undertake them, and the surplus labour of private industry should find its outlet chiefly into those public works which have to be thought out far ahead, and which must be carried on throughout the fluctuations of private trade. During the years of booming trade, labour will be attracted to private industry: and indeed these are the seasons when the best use has to be made of such public

works as already exist; they are not the seasons in which to commence on *new parts* of large public schemes. It is better not to begin railroad or harbour reconstruction till there is a lull in trade. This has been fully realised abroad, where the State ownership of railways has given to Government the power to mitigate the distress that would otherwise have come about in a depression of private trade.

A greater sense of responsibility on the part of local authorities should enable them, not only to register unskilled labour, but to use it for its own and the public good. There are few great cities which have not large areas that call for clearing and rebuilding, and few which cannot, by properly thought-out schemes, improve on the London practice of tearing up important thoroughfares every year. There is no remedy for want of work except in schemes for providing it; the registration of the "reserve" will not guarantee this. It is, I think, evident that this painful social disease receives only external treatment, until the short-period fluctuations of private trade can be threaded on to those long-period schemes of work of which plenty are called for in the public interest itself. And in this way there is provided also an industrial, as distinct from a Poor-Law, test of the capacity of the workman.

Such a proposal is not new, but is usually treated as a counsel of perfection. But it is written large across every slum where the unemployed are overcrowded. One great difficulty is that we are still afraid of the idea of publicly "providing work." But as it is now a common thing in this country for public bodies to undertake schemes of transport or building or tunnelling, the most individualistic prejudices could not be greatly hurt if these schemes were considered, at the beginning and throughout, in their relation to the labour market.

III.

The foregoing argument pretends that some solution of the unemployed problem can, by careful foresight, be found in *productive occupations*; and it is inevitable that the question should at once suggest itself—is there any justification for the idea that productive work can be found for every individual in a community, somehow and somewhere? This is the most important *theoretical* (or scientific) aspect of the question.

In most of the reasoning of Socialistic or Trade Union writings, this question is answered implicitly or explicitly in the affirmative.

"It is not that there is a surplus population. It is not that there are too many workers for the demand; for there is also too much demand for the commodities supplied. The very same persons who could supply the demand stand also in need of the products of work."¹ That is to say, human beings combine in themselves, in a special way, supply and demand; there cannot be an over-supply of men.

I do not think this can be made out. Let us take a simple case. A small community lives, let us say, on the raw fruit of an orchard of fig-trees. It is possible that the trees do not require tending, and that the fruit is stored annually. Then the picking and storing may be done most efficiently when less than the whole number of employable people are employed on the work. For there is no necessary correlation between the amount of population and the productive unit of maximum efficiency. In the same way, under the complex conditions of modern life, it is possible that, when all occupations are served with their most efficient complement of hands, so that more cooks would spoil the broth, there may be a surplus population not productively employable; and as their employment at any time would mean a sacrifice of total efficiency, they are liable to remain out of work, if industry is throughout subject to the keen test of private competition. The phenomenon of the unemployed is not, therefore, a consequence solely of fluctuations, although fluctuations accentuate it. If this consideration is true, it is all the more evident that only in public works not dependent on the profit stimulus, and perhaps with some sacrifice of immediate total efficiency, can unemployment be tidied over.

IV.

This leads to a final reflection on the ethical aspect of economics. We commonly work with the utilitarian calculus. It gives the most adaptable and measurable basis for good and evil. But by this means we should not be led to take steps for the employment of men who were, judged by industrial efficiency, really a surplus. The final justification in this, as, I think, in several other great economic issues, is in considerations of the absolute value of personality, not of the maximum net sum of pleasure; is by appeal to Kant and not to Bentham or Mill.

D. H. MACGREGOR

¹ Hobhouse, "Labour Combination," pp. 29-30.

RECENT OFFICIAL PAPERS.

Report of the Committee on Factory Labour in India.

[Cd. 3617.]

TOWARDS the end of the year 1906 the Secretary of State for India received a deputation of working men who wished to call attention to the conditions of labour in Indian factories; and, partly, no doubt, in consequence of their representations, Mr. Morley arranged that Sir H. P. Freer Smith, late Superintending Inspector for Dangerous Trades in England, should proceed to India as president of a small committee to inquire into the alleged abuses. The scope of the inquiry was subsequently confined to Textile Factories.

The report of the committee contains the following recommendations:—Under the Indian Factory Act it is provided that children under nine shall not be employed at all, that persons between the age of nine and fourteen may work for seven hours a day, whilst persons above the age of fourteen are classed as adults and may work full time. Owing to the lack of educational facilities there exists no necessity for raising the minimum age of employment, nor would any benefit result from the creation of a class of "Young Persons." A certificate of age and physical fitness should be required in the case of all children employed, and a similar certificate should be required before employment on full time. Employers should be compelled to provide elementary instruction for the children employed in their mills.

"The lot of the women employed by day in mills is far superior to that of women workers generally engaged in other classes of work in India," but the employment of women at night should be prohibited as injurious both to the women and to the children whom they bring with them.

Adult males in India work long hours, but in making comparisons between England and India it should be remembered that the Indian artisan is in the habit of leaving his work at odd and uncertain intervals throughout nominal working hours; he frequently takes unauthorised holidays, and, on the whole, does not work so intensively as the English artisan. The average number of hands employed per loom in England is said to be 0·43, while in India it is 1·25. The hours worked in some mills, however, especially since the introduction of electric light, are excessive. The law should be modified so as to provide for a maximum day's work of twelve hours for adults.

Other sections of the report deal with sanitation and the fencing of machinery.

The committee further recommend that the attention of the authorities should not be confined to factories only, but should be extended also to the conditions of home life of the operatives; that the rules made under the Factory Act should be made uniform throughout the whole of India, and that an expert staff of Factory Inspectors should undertake the work now done by district officials and other persons without technical knowledge.

D. A. B.

Two *Diplomatic and Consular Reports on the Trade of Frankfort* [C^d. 3283—108] and on the *Trade and Agriculture of Bavaria* [C^d. 3727—19] exhibit, *inter alia*, the rise in the price of meat. The consumption of butcher's meat per head diminished in Germany by 9 lb. in 1904-5, and by some 5 lb. in 1905-6. The reduced consumption of meat by the working classes is said to be probably more considerable.

Scotch Education Department.—Report on the Physical Condition of Children. [C^d. 3637.]

The average height and weight of children are found, by an extensive investigation, to rise with the number of rooms per house. The averages for Glasgow are below the standards of the Anthropometrical Committee.

Eleventh Abstract of Labour Statistics of the United Kingdom, 1905-6. [C^d. 3690.]

Index numbers of employment are among the new tables which distinguish this number. The table showing changes in the general course of wages now extends over a generation.

Agricultural Statistics, Ireland, Return of Prices. 1907.
[C^d. 3775.]

The prices of crops, live stock, and other agricultural products are given in different degrees of detail for the year 1906-7, the period 1887-1906, and the period 1840-1886. The introductory remarks contributed by Mr. Adams, Superintendent of Statistics,

bring out the interesting facts that from 1840 to 1852 prices were generally low (except for wheat); periods of rising and high prices followed on to 1878; fluctuations and a great fall mark the next decade. During the last decade prices have somewhat risen, and have been more stable.

Report on Changes in Rates of Wages and Hours of Labour in 1906. [C^d. 3713.]

For the first time since 1900 a total net increase of wages, as compared with the preceding year, is shown.

CITY NOTES.

WE have received the following "City Notes" from "R. G." :—

The American Crisis.—The financial crisis so long expected in the United States has at length come, and, it may be hoped, *gone*; though it is perhaps too soon at this date (end of November) to talk of all evil developments as quite certainly things of the past. The smash has been one of the biggest on record, beginning with a great *débâcle* on the New York Stock Exchange in September and October, and culminating in the failure of the Knickerbocker Trust Company with £12,000,000 deposits, and the stoppage of several more or less important banks in New York and throughout the States, in the last ten days of the latter month. The failures were caused and partly accompanied by an almost general run, which only the more solvent institutions were able to meet at first. Distrust appears at once to have seized upon the American depositors in their various banks and credit institutions, whose directors, it was believed, had been extensively employing the funds entrusted to them in stock and share gambling. The result was in a few days an almost complete suspension of specie payments throughout New York and the United States, the banks resorting instead to the expedient of Clearing House Certificates, which has been made use of in times of monetary stress in the United States at different times since 1873. (These certificates are documents given by committees of the bankers' clearing houses to individual banks upon the deposit of good securities, and are accepted by the different banks in settlements, but are not payable in cash over the counter.) Various measures were

also devised at the same time to increase the amount of currency available, including the deposit of funds by the U.S. Government with the banks to the extent of £20,000,000, the loan of money to Wall Street by Pierpont Morgan and other great financiers, and, above all, the large importation of gold from Europe by means of sales of produce and stocks on American account. Panic, however, went on with little diminution almost to the end of November, the real difficulty, as it always is in such crises, not being any real shortage of cash, but rather excessive distrust which paralyses the power of using to the best advantage the actual cash available. Finally the turning of the tide was marked by the promise of the Government to issue bonds for the construction of the Panama Canal to the amount of £10,000,000, so as to enable the national banks by subscribing to increase their note issues to a corresponding extent, the issues being permitted only against the deposit of Government bonds; but it may be doubted whether these final measures, except by tending to increase confidence, counted for very much in the recovery. In every panic after a time credit tends to return, surviving banks commanding confidence because they have stood the shock, and necessity compelling the hoarders to use the cash they possess. Special measures to restore confidence are not to be slighted, but the strength of the natural causes always operating should equally be recognised.

The Commercial Distress.—It is too soon yet to measure what the whole effect of this discredit has been in reducing the volume of business in America, but the accounts of stoppages of works, discharge of workmen, and return of immigrants to Europe on a large scale make it evident that for the boom of the last few years there has now been substituted a period of depression. The symptom of the return of immigrants to Europe is especially significant, as it points to the likelihood of similar depression extending to Europe as well as the United States. As will be presently explained, there has been trouble in the money markets on this side of the Atlantic, only in part a reflex of the United States mischief, and depression here must follow the high rates in the discount market which have prevailed for some time.

Bank-rate 7 per cent.—The most noticeable result on this side of the American crisis has so far been the advance of the

Bank-rate to 7 per cent. This has come about inevitably and quickly from the United States demand for gold. Credit being at an end in New York and cash required, those who could take cash from this side have done so, occasionally borrowing, but more frequently selling produce and stocks for cash. The demand in this form has been quite irresistible, and the Bank's advance to $4\frac{1}{2}$ per cent. on 21st August, which was a kind of precautionary movement in anticipation of the crisis, was followed at the end of October and beginning of November by an advance to $5\frac{1}{2}$, then to 6, and finally to 7 per cent., all in one week. At this rate the market has remained balanced, the reserve slowly improving. But still it is a *seven* per cent. rate, such as we have not had in Lombard Street for thirty-four years; and it is impossible not to apprehend the possibility, sooner or later, of untoward incidents. All over the Continent, especially in Germany and Holland, the rebound of the American panic has equally been felt. Not only have Bank-rates been advanced, but in Berlin, Hamburg, Amsterdam, and Antwerp there have been some rather serious failures.

The Parallel of 1873.—On all sides attention is being drawn to the likeness between the events of the present autumn and those of 1873, which was the last occasion of a 7 per cent. rate. The parallel is indeed very close, almost to the very dates, the difference being that on the whole the crisis of 1873 developed in America about a month sooner than in the present year, but was rather sooner over, at least in its effects on this side, where a 7 per cent. rate was reached on October 18th, and 9 per cent. early in November, and rates began to fall sharply before the end of that month. Now it is the end of November, and the bad symptoms are still with us. There could be no better proof of the value of experience in dealing with money-market problems. Like causes produce like effects, and the condition of the United States for years past has certainly pointed, first to the likelihood of a crisis, and next to the likelihood of that crisis leading to a drain of gold from the Bank of England with high rates of discount in Lombard Street. Everything has indeed happened according to theory and experience.

Possible Remedies.—The crisis has naturally revived discussions in the United States on the need for currency and banking reform. Substantially it may be doubted whether any amend-

ments of banking machinery in that country will touch the real evil, that of extensive and hazardous speculation, which might subject any system of deposit banking to a test not even the best system could stand. When the chief officers of banks and the directors lend the banks, funds to each other, and engage funds in speculations of the worst type, general distrust must be aroused among the mass of depositors when they perceive the dry rot in the banks to be widespread. But although substantially there can be no cure in the United States or elsewhere for offences against credit in the highest quarters, the only possible preventive being a diffused morality which makes the offences practically impossible, yet there are one or two mechanical difficulties in the arrangements of American banking which could certainly be got rid of with advantage. Facilities for increasing issues of paper in times of emergency, analogous to the suspension of the Bank Charter Act in this country, ought certainly to be provided. The invention of Clearing House Certificates is a good palliative, as far as it goes, but evidently, as experience has shown, not quite good enough. That any expedient would be perfect is hardly to be looked for if regard is to be had to the security of the issues; but there ought not to be a new outcry every time an emergency arises. What is perhaps even more important, as improving banking arrangements permanently, would be an enactment giving adequate liberty to the national banks to do their work properly. For some reason or other when the national banks with privilege of note issue were established during the stress of the Civil War, they were restricted from having branches in other towns than the place where they were set up. The motive apparently was that currency should be abundant in every locality, because every locality could have its own national bank. But whatever the motive was, the effect has been to prevent the great banks in the leading cities of the United States from having branches all over, which appears to be one of the conditions of successful deposit banking on a large scale. To prevent a banking and currency monopoly, all the banks have been dwarfed, and there have been no great institutions like our own Bank of England and the leading joint stock banks about it practically above suspicion. Nothing would tend to strengthen credit in the United States more than large and good banks, and for this purpose the grandmotherly legislation which makes the growth of such banks not merely difficult, but impossible, should be amended. It is noteworthy that Canada, which belongs in part to the United States monetary sphere, the Canadian banks keeping spare balances in

New York and Chicago, has on the whole escaped almost unhurt from the panic. The difference is very properly ascribed to the better banking system of Canada, which is modelled on that of Scotland, with great institutions at the centres and branches all over the country.

The Threatened Railway Strike.—Business has been so much overshadowed by the financial crisis in America and its effects, that one almost forgets the railway agitation which looked so threatening in September. But one must not forget that the calamity threatened was a very serious one. Even a partial strike on our railways would have affected business disastrously and added to the gloom which is beginning to set in as the result of the discredit abroad and the 7 per cent. Bank-rate at home. The Board of Trade and its President are accordingly entitled to all praise for their intervention under the Conciliation Acts which has been practically successful for the time.

Fall in Silver.—An event of the quarter which may be worth noticing later on has been a reaction from the great advance in silver, which has been noticed more than once of late in these notes. From 31d. and 32d., which had become the established rates, there has been a reaction to 26d. and 27d., and although there is now once more an upward tendency, the reaction must be considered to have been a very strong one. Apparently it is due in part to the banking crisis which has shaken a large number of gold prices. We hope to return to the subject in future notes.

R. G.

CURRENT TOPICS.

LAST August an International Housing Congress—the eighth in a series—was held in London. Over 300 members attended, many of them foreigners. Nineteen Governments were officially represented. The discussions were opened by the Right Hon. John Burns, President of the Local Government Board, and Sir Dickson Poynder, M.P., Alderman W. Thompson, of Richmond, presiding.

After three days of discussion, members of Congress were conducted on excursions to Sheffield, where there was an exhibition of workmen's cottages, to Port Sunlight, Liverpool, and Bourneville. During their stay in London arrangements were

made for members to see a variety of municipal and other buildings, blocks and cottages, as well as the garden-city of Letchworth, so that our foreign guests were able to carry away a fair notion of English enterprise in these directions. We know that many of them, and among these some of the most competent, expressed genuine and sincere admiration. We shall have occasion to revert to the work of the congress when the volume of *Transactions* is published.

THE divergence of opinion among Socialists with regard to the settlement of the railway dispute is well illustrated by two letters to *The Times*, one by Mr. Ramsay Macdonald, M.P. (November 11th), and the other from the Executive Committee of the Fabian Society. Mr. Macdonald considers that under the railway conciliation scheme the men will be absolutely powerless. He argues that behind every conciliation scheme in which the men are not to be sacrificed there must be a union of men acting for the workmen and a federation of masters acting for the employers. Such a union is not provided for in the railway scheme, and in this way it differs from those of New Zealand and Western Australia. The splitting of the men into sections will, he believes, render an "all grades" cohesion impossible, and the failure to recognise the union renders it little more than a friendly benefit association where strength will not be maintained. He therefore concludes that "conciliation will secure peace, but will sacrifice the just claims of the men." The Fabian Society, on the other hand, congratulates Mr. Lloyd George on having set up the first "wages board." It claims that the railway treaty deserves the support of all Socialists and of all trade unionists who believe in the method of legal enactment rather than in strikes. It points out that notwithstanding the provisions for "conciliation," reference to the arbitrator is, from the outset, automatically compulsory in every case in which the parties do not come to an agreement. In securing this, the railway servants have obtained a vastly greater boon than "recognition." "They had gone out to seek their father's asses. They have found a kingdom." The letter concludes by insisting that the work for the union to do will be so important that there is no probability of its being weakened. We hope, in our next issue, to publish a review of the scheme from an authoritative source.

THE Trade Union Congress met this year in Bath at the beginning of September. The report of the Parliamentary Committee naturally indicated the hopes aroused by the success of the Labour candidates at the General Election, and at the subsequent bye-elections, and declared that "the political power of labour is overwhelming, and it is within its competence to alter the present unequal state of society." (In the House of Commons there are fifty-six members who either are or have been trade union officials.) The report urges the usual proposals for land nationalisation, the reduction of the hours of labour, and the other measures familiar to the Congress, but it is evident that the subject on which immediate effort is to be concentrated is old age pensions. The Congress approved the principle that "any pension scheme must be upon a non-discriminatory and non-contributory basis in order to be satisfactory to the working classes," and the President in his opening address declared that "it was not part of their duty to show how the money could be found, for that was the function of the Chancellor of the Exchequer." A resolution, which has not hitherto been one of the annual features of the Congress and was carried without opposition, called upon the Government to establish a legal minimum wage in selected trades. At the same time the usual rejection of the proposal for compulsory arbitration was repeated by an overwhelming majority.

A DEPARTMENTAL Committee has been appointed by the Home Secretary to inquire into the subject of artificial humidity in cotton weaving factories. The terms of reference include an inquiry into the degrees of humidity and heat at which bodily discomfort arises and the danger to health involved by continuous work at these degrees. The committee is also to report what efficient and practical means of cooling humid sheds exist. The chairman is Sir Hamilton Freer Smith, and the secretary is Mr. Duncan R. Wilson, to whom correspondence may be addressed at the Factory Department, Home Office.

THE Treasury has appointed a Committee to consider the working of the Fair Wages Resolution passed by the House of Commons in 1891, as embodied in Government contracts, and to report whether any administrative changes are desirable in order to enable the objects of the resolution to be more effectually

attained. Among the members of the Committee are : Sir G. H. Murray, Secretary to the Treasury (Chairman) ; Mr. H. D. de la Bere, Assistant Director of Army Finance, War Office ; Mr. A. Wilson Fox, Comptroller-General, Commercial, Labour, and Statistical Department of the Board of Trade. Mr. J. J. Wills, of the Labour Department of the Board of Trade, will act as secretary.

THE Danish legislation providing for insurance against the want of employment, which was described in the *ECONOMIC JOURNAL* for last March, appears to have started very well. Its initial success is largely attributed to the personal qualities of the "inspector," Mr. A. Sørensen, formerly "inspector of friendly societies," one in whom the leaders of those societies and of the trade unions have great confidence. Since the law came into operation fourteen societies, with a membership of 4,200 in all, have obtained support according to the law. The similar Norwegian law has apparently not been attended by a similarly conspicuous success.

THE *Free Trader*, which has not been issued for some time, will be published again during the present month (December), and will appear at intervals of two months. Mr. J. A. Hobson is to be the editor. Its publishers are the Free Trade Union, 8 Victoria Street, Westminster, and the subscribers to it will be furnished every two months with the "notes" issued by the Unionist Free Trade Club. A subscription of 10s. 6d. per annum entitles members to all the literature issued by the Free Trade Union.

ECONOMISTS might avoid much misunderstanding if, like certain philosophers in Swift's *Laputa*, they could always point to concrete instances of the things of which they were talking. This advantage is secured in the second annual issue of *Die Weltwirtschaft*, edited by Professor Von Halle. The new volume contains, in the physical sense of the term, actual specimens of yarn and cloth made from cellulose, in connection with H. Mehner's article "Die Technik in Jahre 1906," in which it is suggested that this fibre is suited to relieve the recent scarcity of wool, cotton, jute, and flax. Of the new number as a whole we may repeat the words used by Mr. Bowley in his review of the first volume (*ECONOMIC JOURNAL*, Vol. XVI.), "This yearbook of commerce deserves unstinted praise."

MR. L. L. PRICE has been appointed to the Lectureship on Economic History, the creation of which we announced in our last issue. We may refer to Mr. Price's article in the ECONOMIC JOURNAL for 1906 as indicative of the spirit in which he will exercise his office. The appointment of the new lecturer is opportunely coincident with the rise of a new class of students, the candidates for the Diploma the institution of which we mentioned in a former number of the ECONOMIC JOURNAL (Vol. XIII., p. 278). The Diploma already owes much to Mr. Price as an originator and organiser; as a teacher he will complete its success.

THE last report of the Oxford Committee for Economics shows that this year there were eleven successful candidates for the Diploma, seven of whom achieved "distinction." In this examination the first woman student who has read for the Diploma obtained distinction. As in previous years many of the candidates were Rhodes Scholars. The Diploma offers to the German Rhodes Scholars, debarred by the limited duration of their stay in Oxford from the ordinary degrees, a means of carrying back to their native country documentary evidence that they have spent their time at Oxford in profitable study. Of this opportunity the entries for the new year show that they are likely to avail themselves in considerable numbers.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

OCTOBER, 1907. *Back to the Land*. REV. DR. CUNNINGHAM. Allotments for subsistence, not for a market, are recommended by mediæval experience. *Socialism in Italy*. KARL WALTER. *The Control of Sweating*. MISS B. L. HUTCHINS. A review of methods. *The Elberfield System of Relieving the Poor*. F. R. MASON.

Journal of the Statistical Society.

SEPTEMBER, 1907. *The Position of the Small Holding in the United Kingdom*. W. G. S. ADAMS. The size and number of small holdings in different regions, and the conditions of their success, are set forth. *The Congress of the International Statistical Institute at Copenhagen and The Discussion of Modern Methods of Treating Observations* at the meeting of the British Association in Leicester are reported.

The Contemporary Review.

SEPTEMBER, 1907. *The Development of an International Parliament*. PROF. H. STANLEY JEVONS. A sketch of a world-wide federal government, such as "might well arise in some seventy or eighty years."

NOVEMBER. *Trade Unionism in Germany*. E. BERNSTEIN.

The Nineteenth Century.

SEPTEMBER, 1907. *Common Fields and their Enclosure*. R. HUNTER.

OCTOBER. *Fair Farms v. Fancy Crofts*. THE DUKE OF ARGYLL.

Fortnightly Review.

SEPTEMBER, 1907. *The Trades Disputes Act and Freedom of Contract*. "Labour will at length enjoy the same freedom of contract as capital."

OCTOBER. *Small Holdings*. R. A. YERBURGH.

The National Review.

SEPTEMBER, 1907. *Free Trade as a Socialist Policy*. J. L. GARVIN.

OCTOBER. *Preference or McKinleyism*. J. L. GARVIN. The rejection of preference has been followed by the McKinleyism of the Australian tariff.

Quarterly Journal of Economics (Boston).

The Treasury and the Banks under Secretary Shaw. A. P. ANDREW. Mr. Shaw's administration was marked by six new departures, which are severely criticised. *The Growth of the Union Pacific.* T. W. MITCHELL. The operations of this great railway system since its reorganisation in 1898 are described.

Modes of Constructing Index Numbers. A. FLUX. Important principles are applied to concrete examples, of which several are American.

Tax Discrimination in the Paper and Pulp Industry. R. C. McCREE.

Political Science Quarterly (New York).

SEPTEMBER, 1907. *Trade Unions and Trusts.* H. R. SEAGER. To encourage trade unions and prohibit trusts is inconsistent. Both should have free play up to the point where they begin to conflict with general interest. *The Working Men's Party of New York City.* F. T. CARLTON. *Slave Labour in the Charleston District.* U. B. PHILLIPS. A history of negro labour in the coast region of South Carolina and Georgia up to 1860.

The Yale Review (Newhaven).

AUGUST, 1907. *Rebates.* H. T. NEWCOMB. *The Standard Oil Company and the Pope Lines.* G. H. MONTAGUE.

American Academy of Political Science (Philadelphia).

THE May number contains contributions from some of the chief captains of industry in the United States, many of whom recommend reducing the existing tariff in order to untrammel the trade in the United States with foreign countries. The Hon. Elihu Root, Secretary of State, after referring to the importance of the Panama Canal as a means of connecting more closely the Pacific States of North America with the South American countries on the Atlantic coast, says: "The Postmaster-General reports that the best way for him to get the despatches from my department to our Ministers in South America, *with certainty and swiftness*, is to send them to Europe and have them sent from there to South America!" Mr. Root explains this as being due, firstly, to foreign countries who subsidise their shipping, and, secondly, to their own "protective tariff, which has raised the standard of living of all Americans, so that American ships paying and feeding their officers and men according to the American standard cannot compete on even terms with foreign ships."

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JULY, 1907. *L'Automobile est-elle une Richesse?* G. DE MOLINARI. *Rodbertus contra Bastiat.* YVES GUYOT. *Les Réformes Gratuites.* REUXEL.

AUGUST. *La Concentration des Entreprises.* A. PINARD.

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Revue d'Économie Politique (Paris).

AUGUST-SEPTEMBER, 1907. *Le Contrat collectif de Travail.*

H. JAY. *Le Conflit des Évaluations dans le Débat du Salaire.*

E. WAXWEILER. *Le Rachat de l'Ouest.* J. PERRIN JAQUET.

The paper on the purchase of the western railway system is continued and concluded.

Revue Économique Internationale (Brussels).

OCTOBER, 1907. *Les Cités Jardin.* The objects, methods, and success of garden cities in England and elsewhere are sympathetically described.

Bulletin de l'Institut International, Tom XVI., No. 1.

M. NEYMARCK continues his statistics of *Valeurs Mobilières*.

Mr. C. S. LOCH has contributed a paper on statistics of population and pauperism.

Jahrbucher für National-Oekonomie (Jena).

JUNE, 1907. *Die Grossstadt als Standort der Gewerbe.* O. SCHWARZCHILD.

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AUGUST, 1907. *Zur Anschauung der Antike über Handel, Gewerbe und Landwirtschaft.* O. NEURATH.

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OCTOBER. *Australien als selbständiger Produktionsstaat.* R. SCHACHNER. *Nationalökonomisches bei Voltaire.* P. SAKMANN. Clear summaries of Voltaire's doctrines are accredited by useful references to his writings.

Jahrbuch für Gesetzgebung (Leipsic).

No. 4. 1907. *Die Währungsfrage.* G. F. KNAPP. A supplement to the author's celebrated *Theory of Money*.

Giornale Degli Economisti (Rome).

I piccoli numeri. C. GINI. *Della natalità e della fecondità.* A. BENEDEUCE. *Lo stato e le abitazioni popolari in Germania.* BADOGLIO.

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Le Reforma Sociale (Turin).

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